

ORIGINAL

STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

CONSOLIDATED PROCEEDINGS FOR RENEWAL :
OF TRUMP PLAZA ASSOCIATES AND :
TRUMP'S CASTLE ASSOCIATES :

Monday, April 29, 1991
Atlantic City Commission Office
Tennessee & Boardwalk
Atlantic City, NJ 08401
10:25 a.m.

VOLUME I

B E F O R E:

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1 MS. BIACHE: I would like to read an
2 opening statement.

3 "This is to advise the general public
4 and to instruct that it be recorded in the Minutes
5 that in Compliance with Chapter 231 of the Public Laws
6 of 1975, entitled the 'Open Public Meetings Act,' the
7 New Jersey Casino Control Commission at 3:41 p.m. on
8 April 23, 1991 hand-delivered to the Office of the
9 Secretary of State and caused to be posted on the
10 bulletin board located outside the Secretary of
11 State's Office at the State House, Trenton, New Jersey
12 and at 4:45 p.m. on April 23, 1991 mailed to the Press
13 of Atlantic City and to the Newark Star Ledger and to
14 the Office of the Clerk of Atlantic City a meeting
15 notice setting forth the time, date and location of
16 this meeting.

17 "Members of the press will be
18 permitted to take photographs at today's meeting. We
19 would ask, however, that this be done in a manner
20 which is not disruptive of the meeting or distracting
21 to the Commission and which does not interfere with
22 the public's right to observe the meeting.

23 "Any members of the public who wish to
24 address the Commission will be given the opportunity
25 to do so before the Commission adjourns for the day."

1 CHAIRMAN PERSKIE: Good morning. We
2 will call the meeting to order. The record will
3 reflect the presence this morning of all of the
4 members of the Commission.

5 The item on the agenda today is the
6 renewal application for the various licenses as
7 associated with the properties at Trump Plaza and
8 Trump's Castle.

9 Pursuant to previous direction from
10 the Commission the matters have been consolidated with
11 each other and further in several meaningful ways have
12 been consolidated with the previous proceedings that
13 have been undertaken in connection with the Taj Mahal
14 property, most recent of which was the Commission's
15 meeting of April 18. Indeed for all intents and
16 purposes the Commission has been pursuing all of the
17 matters as if they were de facto consolidated and, in
18 fact, many of the exhibits received in connection with
19 the Taj Mahal proceedings are still before us and as I
20 understand it would be incorporated into this record
21 by reference.

22 We will start with entering the
23 appearances of counsel please.

24 MR. FUSCO: Joseph Fusco, Ribis,
25 Graham and Curtin for the licensees and Mr. Pickus on

1 behalf of Trump's Castle Associates Limited
2 Partnership and Ms. Wild on behalf of Trump Plaza
3 Associates.

4 MR. AURIEMMA: For the Division of
5 Gaming Enforcement Thomas Auriemma and with me is
6 Denis Dooley.

7 CHAIRMAN PERSKIE: All right, we have
8 a couple of miscellaneous appearances I think that we
9 will need to refer to.

10 First there is a reference in the
11 documents and, of course, among the issues to be
12 resolved is the status of Fred Trump. Where are we
13 with respect to that?

14 MR. FUSCO: We will--I will speak on
15 behalf of Mr. Trump for this proceeding, sir.

16 CHAIRMAN PERSKIE: Well, all right,
17 it's my understanding that insofar as these motions
18 are concerned, that appearance, if you will, is likely
19 to be very limited and, accordingly, I think will not
20 raise some of the other questions that a plenary
21 appearance might. But perhaps we can dispose of that
22 now. It's my understanding that Mr. Trump through you
23 is prepared to make a representation?

24 MR. FUSCO: Yes, sir. As a result of
25 discussions with staff prior to me making this

1 representation to you now, Mr. Chairman, Mr. Trump has
2 indicated in regard to the chips which he holds that
3 he will not redeem or transfer those chips prior to,
4 depending upon what the Commission orders, prior to
5 being found qualified by the Commission or filing of
6 an ICA trust.

7 CHAIRMAN PERSKIE: All right, the
8 Division has considered that.

9 MR. AURIEMMA: Yes, that's acceptable
10 to the Division. We have actively been investigating
11 Mr. Fred Trump as a financial source for a period of
12 time. We have targeted an estimated completion date
13 of that investigation for mid May and I believe that I
14 will be able to submit a letter report either on that
15 date or soon thereafter.

16 CHAIRMAN PERSKIE: Okay. For the
17 time being then that would--that representation if
18 accepted by the Commission would appear for the
19 purposes of this morning's proceedings to resolve all
20 outstanding questions respecting Mr. Trump, would it
21 not?

22 MR. AURIEMMA: Yes, that's correct.

23 CHAIRMAN PERSKIE: Mr. Zimmerman?

24 MR. ZIMMERMAN: Yes, Mr. Chairman,
25 the question of his qualifications or pending

1 complaints are not before the Commission today.

2 CHAIRMAN PERSKIE: So that assuming
3 we are all in agreement with that in a sense that
4 takes Fred Trump and his status out of these
5 proceedings, does it not, for the time being?

6 MR. AURIEMMA: Yes, it does.

7 CHAIRMAN PERSKIE: All right.

8 Anybody on the Commission have any question or comment
9 with respect to that?

10 VICE CHAIR ARMSTRONG: Yes, I have a
11 question, Mr. Chairman. The Division anticipates
12 hopefully filing its report by mid May. Need we
13 anticipate what happens if they don't file that report
14 by mid May?

15 CHAIRMAN PERSKIE: No, as I
16 understand the representation it is that until the
17 Commission finds him qualified or until he
18 files--chooses to and files an ICA application that he
19 will not dispose of or redeem any of the chips. There
20 is no specific time line in that representation, is
21 that right, Mr. Fusco?

22 MR. FUSCO: Correct, Mr. Chairman.
23 That is in the context of what we know to be Mr.
24 Auriemma's anticipated schedule, but, again, we can't
25 foresee the future. We will leave the investigation

1 to be completed very shortly.

2 VICE CHAIR ARMSTRONG: Hopefully it
3 will.

4 CHAIRMAN PERSKIE: Anybody else have
5 any questions?

6 All right, I don't know that there is
7 any formal action necessary by the Commission except
8 that the record will reflect obviously that
9 representation and, Mr. Fusco, the record will reflect
10 that the Commission relies on that representation and
11 your client should be advised that we have and that,
12 therefore, it is our expectation that absent some
13 other application to us he will not dispose of or
14 redeem any of the chips until further action along the
15 lines we have discussed.

16 MR. FUSCO: Yes, sir.

17 CHAIRMAN PERSKIE: All right, now we
18 have, do I understand, the Putnam Company which is
19 here in connection with the question of its status in
20 the Castle application. Is counsel present?

21 MR. EHRENBURG: Yes, Mr. Chairman.

22 CHAIRMAN PERSKIE: That is.

23 MR. EHRENBURG: Peter Ehrenberg. I
24 am with the Lowenstein, Sandler, Kohl, Fisher & Boylan
25 firm.

1 CHAIRMAN PERSKIE: Mr. Ehrenberg, it
2 is my understanding in addition to Putnam you purport
3 to represent, let me get it right here, a consortium
4 as an informal Steering Committee of bondholders for
5 the Castle?

6 MR. EHRENBURG: That's correct, Mr.
7 Chairman.

8 CHAIRMAN PERSKIE: And in that
9 connection have filed a motion to participate on
10 behalf of the first mortgage bondholders identifying
11 in your papers Putnam, Merrill Lynch Asset Management,
12 Bearing America Asset Management, Shearson Asset
13 Associates and Pack Holders Associates; is that
14 correct?

15 MR. EHRENBURG: That is correct, Mr.
16 Chairman.

17 CHAIRMAN PERSKIE: You are
18 representing approximately 81 percent of the first
19 mortgage bonds at the Castle.

20 MR. EHRENBURG: The Steering
21 Committee is 33 percent.

22 CHAIRMAN PERSKIE: Is 33 percent.

23 MR. EHRENBURG: That's correct.

24 CHAIRMAN PERSKIE: And who's the
25 unofficial committee?

1 MR. EHRENBURG: That's a larger group
2 of institutional investors whom the Steering Committee
3 has communicated with on a regular basis since this
4 past November.

5 CHAIRMAN PERSKIE: So you hold 33 but
6 you are purporting to speak for 81?

7 MR. EHRENBURG: Purporting to speak
8 for the Steering Committee which in turn has had many
9 communications with 81 percent.

10 CHAIRMAN PERSKIE: So that you can't
11 speak for the other 47, 48?

12 MR. EHRENBURG: I would say at this
13 point I am speaking for the Steering Committee, Mr.
14 Chairman.

15 CHAIRMAN PERSKIE: All right. And
16 Mr. Fusco, Mr. Auriemma, have you had the opportunity
17 to review the application for participation?

18 MR. FUSCO: Well, Mr. Chairman, I
19 received this about a half hour ago so to that extent
20 I have certainly read it.

21 CHAIRMAN PERSKIE: At the time that
22 it was filed with us.

23 MR. FUSCO: Yes, sir.

24 CHAIRMAN PERSKIE: Do you have any
25 position?

1 MR. FUSCO: Yes. We oppose the
2 application. Firstly, at least one of the members of
3 the Steering Committee by my own knowledge has
4 awareness as early as February 28 or March 1 that the
5 date of this hearing was today, April 29, and there
6 has been no effort to my knowledge to notice properly
7 by notice of a motion in any timely fashion their
8 application. That's the first concept.

9 The second concept is that the
10 Commission does have a precedent in dealing with this
11 and the precedent is the Taj Mahal Steering Committee
12 application. That Steering Committee filed its
13 Bondholder Steering Committee, originally filed its
14 application for its motion on September 11 which was
15 two days before the first prehearing conference on the
16 Taj renewal license. That application was considered
17 by the Commission on September 26 and the Commission
18 at that time denied the application to participate.
19 It was originally an application to intervene, it was
20 wheedled down by the Steering Committee to an
21 application to participate, it was denied at that
22 time. It was not granted until after agreement was
23 reached, the term sheet and as the Chairman and the
24 Commissioners will recall, that term sheet was reached
25 in--on November 16, where there was an agreement

1 between the Steering Committee and the licensee.

2 CHAIRMAN PERSKIE: Was the--while
3 everything you are saying is absolutely so, was the
4 fact of the agreement the operative fact that resulted
5 in the Commission's changing its vote or was the fact
6 that the original denial was based on the concept that
7 the application was premature and the granting was
8 based on a fact that we were there at the license
9 hearing or at that point in a financial stability
10 hearing?

11 MR. FUSCO: Well, I'm not certain. I
12 only know--I cannot precisely represent to you, Mr.
13 Chairman, I can only say this, that neither the
14 Division nor the licensee even objected to the
15 September application that was made, so it was
16 certainly not based on the fact that there was an
17 objection. Here there is an objection, there is no
18 agreement and even beyond that, in the normal course
19 of Commission proceedings there is no reason nor have
20 I heard any reason offered as to why this application
21 has to be done today. I mean it's to say that this is
22 difficult to consider in a meaningful way is to
23 understate it. There is really no notice.

24 MR. AURIEMMA: Members of the
25 Commission, on Friday afternoon Mr. Ehrenberg called

1 me and indicated that he would be filing the motion to
2 participate this morning. I have spoken really
3 probably since November with Mr. Ehrenberg on a number
4 of topics relating to Castle bondholders. I indicated
5 that I would have no objection to this particular
6 motion and, in fact, received the written papers just
7 as you did about a half hour ago. Since this is only
8 a motion to participate and which, again, is a term of
9 art under the administrative--excuse me, under the
10 Uniform Rules of Administrative Procedure, I do not
11 have an objection to it. If this were a motion to
12 intervene, I would have vigorously opposed that as I
13 have done in the past. Generally, these motions to
14 participate are within your discretion. I indicate
15 that back in September I did not object to the motion
16 to participate when made by the Taj bondholders at
17 that point and ultimately I did not object when the
18 motion was subsequently granted. I believe like the
19 Taj bondholders they had something to say. These
20 bondholders may have something to say which could bear
21 upon your ultimate ruling in this case and I believe
22 that a statement should be accepted.

23 CHAIRMAN PERSKIE: Anybody on the
24 Commission have any questions of any counsel on the
25 application for leave to participate?

1 This is not for Putnam specifically
2 although Putnam is a part of the Steering Committee?

3 MR. EHRENBURG: That is correct, Mr.
4 Chairman.

5 CHAIRMAN PERSKIE: So actually if
6 this gets granted you will have two hats that you
7 wear.

8 MR. EHRENBURG: That's correct.

9 MR. FUSCO: Mr. Chairman, of course
10 this is limited to Trump's Castle's application,
11 obviously it has nothing to do with the Trump Plaza
12 application, correct?

13 CHAIRMAN PERSKIE: That would be my
14 understanding, yes.

15 MR. FUSCO: Thank you, sir.

16 CHAIRMAN PERSKIE: You have nothing
17 to do with the Plaza, do you, Mr. Ehrenberg?

18 MR. EHRENBURG: No, sir.

19 CHAIRMAN PERSKIE: I will entertain a
20 motion on the application for leave to intervene--to
21 participate, excuse me.

22 I would recommend to the Commission
23 that the application for leave to participate be
24 granted.

25 COMMISSIONER HURLEY: So moved, Mr.

1 Chairman.

2 COMMISSIONER DODD: Second.

3 CHAIRMAN PERSKIE: Any comment or
4 discussion?

5 On the motion all in favor will so
6 indicate.

7 Opposed?

8 The record reflects the motion
9 carries by a vote of four to one, Commissioner Waters
10 in the negative.

11 Mr. Ehrenberg, grab yourself a chair.

12 (Chairman Perskie, Vice Chair
13 Armstrong and Commissioners Hurley and Dodd voted in
14 favor of the motion)

15 (Commissioner Waters dissented)

16 CHAIRMAN PERSKIE: All right, we will
17 deal a little later, Mr. Ehrenberg, with the status of
18 Putnam and its applications.

19 MR. EHRENBURG: Thank you, Mr.

20 Chairman.

21 CHAIRMAN PERSKIE: Exhibits, let's
22 start with the Division reports. D-1 through D-6 were
23 received into evidence eventually without objection
24 subject to certain sealing at D-4 in connection with
25 the Taj proceedings. Some or all of those have

1 relevance arguably on behalf of the financial status
2 of The Trump Organization and Mr. Trump and it's my
3 understanding that all of those exhibits are agreed to
4 be received into evidence here again subject to the
5 same sealing request or subject to the same sealing
6 determination and for such additional purposes, for
7 consideration under such additional purposes as this
8 hearing would render appropriate; is that correct?

9 MR. AURIEMMA: That's correct.

10 MR. FUSCO: We would not object to 7,
11 8 or 9 subject to the sealing request.

12 CHAIRMAN PERSKIE: I haven't gotten
13 to 7, 8 or 9. I am talking about 1 through 6.

14 Now the Division has submitted in
15 connection with this proceeding three additional
16 exhibits, specifically D-7, D-8 and D-9. What
17 was--something, what was submitted last week and was
18 the subject that we notified would be publicly
19 released on Friday, which one was that, D-9?

20 MR. FUSCO: Yes.

21 CHAIRMAN PERSKIE: So the record is
22 clear, on D-9 we received a request that was filed
23 with the Commission last week, we received a media
24 request for release of D-9. On Thursday the parties
25 were notified that D-9 would be released on Friday--on

1 Thursday they were advised that the exhibit would be
2 released on Friday at noon unless a sealing request as
3 to some or all of it was received prior to that time
4 in which event that which was not the subject of a
5 sealing request would be released and that which was
6 would be held until today and nobody made a sealing
7 request as to D-9 and, therefore, D-9 in its entirety
8 was released to the media on Friday. Now I understand
9 there is no objection to that going into evidence; is
10 that correct?

11 MR. FUSCO: That is correct, Mr.
12 Chairman.

13 MR. AURIEMMA: I would offer it into
14 evidence.

15 CHAIRMAN PERSKIE: D-9 will be
16 received in evidence in its entirety.

17 (D-9 was marked into evidence)

18 CHAIRMAN PERSKIE: D-7 and D-8 have
19 been filed, specific sealing requests have been made.

20 MR. FUSCO: Yes, sir.

21 CHAIRMAN PERSKIE: You have reviewed
22 them?

23 MR. DOOLEY: Yes, sir, we have. We
24 have no objection to the sealing request as made.

25 CHAIRMAN PERSKIE: I would

1 entertain--I will admit and I understand that subject
2 to the sealing request no objection is made to the
3 admission into evidence in D-7 and D-8?

4 MR. FUSCO: That is correct, Mr.
5 Chairman.

6 CHAIRMAN PERSKIE: And they are
7 offered?

8 MR. DOOLEY: Yes.

9 CHAIRMAN PERSKIE: D-7 and D-8 will
10 be received in evidence subject to the outstanding
11 sealing request. I would request a motion delegating
12 to me and to the Vice Chair acting separately or
13 together the authority to evaluate and determine the
14 sealing request by the end of business today.

15 COMMISSIONER HURLEY: So moved, Mr.
16 Chairman.

17 VICE CHAIR ARMSTRONG: Second.

18 CHAIRMAN PERSKIE: Any comment or
19 discussion?

20 All in favor will so indicate.

21 The record reflects the motion
22 carries unanimously.

23 (All Commissioners present voted in
24 favor of the motion, and D-7 and D-8 were marked into
25 evidence)

1 CHAIRMAN PERSKIE: We will rule on
2 that today and Mr. Zimmerman will please see to it
3 that somebody gives us a report as early in the day as
4 possible.

5 MR. ZIMMERMAN: Yes.

6 CHAIRMAN PERSKIE: We have received
7 two stipulations in the form S-2 and S-3. The record
8 will reflect that there was a prior stipulation of S-1
9 which technically is not particularly relevant to
10 these proceedings as it was an operational stipulation
11 at the Taj; is that correct?

12 MR. DOOLEY: That's correct, Mr.
13 Chairman.

14 CHAIRMAN PERSKIE: So we won't
15 necessarily have S-1 here, but just so that all the
16 numbers are straight we will start these proceedings
17 on the stipulations with 2 and 3. 2 is a stipulation,
18 operational stipulation as to the Plaza and 3 as to
19 the Castle. They are both very brief. The parties
20 have reviewed them?

21 MR. DOOLEY: Yes, we have.

22 MR. FUSCO: Yes.

23 CHAIRMAN PERSKIE: There is one in
24 S-3, there's a representation that there would be a
25 completion in paragraph one by April 26, was that

1 effected?

2 MR. FUSCO: Yes, it was, Mr.

3 Chairman.

4 CHAIRMAN PERSKIE: Does the Division
5 have anything on that?

6 MR. DOOLEY: Yes, it was, Mr.

7 Chairman.

8 CHAIRMAN PERSKIE: It was effected.

9 MR. DOOLEY: Yes.

10 CHAIRMAN PERSKIE: S-2 and 3 are
11 moved into evidence as stipulations?

12 MR. DOOLEY: Yes, they are, Mr.

13 Chairman.

14 CHAIRMAN PERSKIE: Mr. Fusco, no
15 objection?

16 MR. FUSCO: No objection, sir.

17 CHAIRMAN PERSKIE: S-2 and S-3 will
18 be received in evidence according to their terms.

19 (S-2 and S-3 were marked into
20 evidence)

21 CHAIRMAN PERSKIE: The applicant
22 exhibits in the Taj proceedings we admitted into
23 evidence A-1 through A-35 inclusive. Again, some of
24 those are specifically property specific to the Taj
25 and bearing no particular impact here, but insofar as

1 the Taj and its financial status are I think an
2 integral part of the overall determination of the
3 financial status. The Trump Organization and Mr.
4 Trump, it would seem that most, if not all, of those
5 exhibits are arguably relevant here. Does anybody
6 object to that?

7 MR. FUSCO: No.

8 MR. AURIEMMA: No objection.

9 CHAIRMAN PERSKIE: All of the
10 premarked and preadmitted exhibits in the Taj
11 proceedings will be incorporated here by reference and
12 may be considered as evidence in these proceedings.

13 The applicant has submitted, I have a
14 list that runs through A-47B and then I have A-49 this
15 morning raising the obvious question of what happened
16 to A-48.

17 MR. FUSCO: There was a letter
18 provided to the Commissioners and Mr. Zimmerman and
19 Mr. Auriemma which depicts 48, 49 and 50, sir.

20 CHAIRMAN PERSKIE: Oh, there is 50
21 also? As we speak I am being handed A-48. Does
22 everybody else have that? That's the amended D-6.

23 MR. FUSCO: Correct, sir.

24 CHAIRMAN PERSKIE: I have it, I just
25 didn't know that's what it was called. That's 48. I

1 have 49, what's 50?

2 MR. FUSCO: And 50 is that board
3 right there which is--which will be utilized in
4 testimony and it is a casino floor plan which will be
5 the subject of some testimony.

6 CHAIRMAN PERSKIE: At which hotel?

7 MR. FUSCO: Castle. It will be two
8 Trump Castle Casino floor plans depicting current and
9 proposed configurations in the casino.

10 CHAIRMAN PERSKIE: Okay. All right,
11 with respect to all of the applicant exhibits, it's my
12 understanding that we have a sealing request solely
13 with regard to a portion of A-46; is that correct?

14 MR. FUSCO: I think it should be two,
15 Mr. Chairman, A-40 and 46.

16 CHAIRMAN PERSKIE: Yes, I beg your
17 pardon.

18 MR. FUSCO: It's parallel to what you
19 just considered with the--these are the management
20 responses to the operations reports and they are
21 parallel requests for sealing of parallel provisions.

22 CHAIRMAN PERSKIE: I will get to the
23 sealing request in a minute.

24 First, Mr. Fusco, A-36 through 50
25 inclusive are offered into evidence?

1 MR. FUSCO: Yes, sir, with one
2 notation that the list and it's my fault, A-38C
3 indicates a forecast dated April 22, it should simply
4 say April 23 with that change onto your list, yes, we
5 would offer those two exhibits.

6 CHAIRMAN PERSKIE: Mr. Auriemma.

7 MR. AURIEMMA: We have no objection
8 to those exhibits.

9 CHAIRMAN PERSKIE: Subject to the
10 sealing request at A-40 and A-46, all of the exhibits
11 A-36 through 50 inclusive are admitted into evidence
12 and I would request a Commission resolution adding the
13 relevant portions of A-40 and 46 to the previous
14 authorization for determination of the sealing request
15 again with a notation that it will be done today.

16 COMMISSIONER HURLEY: So moved, Mr.
17 Chairman.

18 COMMISSIONER DODD: Second.

19 CHAIRMAN PERSKIE: Comments or
20 discussion?

21 All in favor will so indicate.

22 The record will reflect that that
23 resolution carries unanimously.

24 (All Commissioners present voted in
25 favor of the motion and A-36 through A-50 were marked

1 into evidence)

2 CHAIRMAN PERSKIE: Exhibits C-1
3 through C-6 are Commission staff evaluation reports
4 with respect to the Taj and/or The Trump Organization
5 previously considered in connection with the Taj
6 hearings last week. Is there any comment or
7 discussion about the suggestion that all of those
8 documents as well should be available to and
9 considered by the Commission in connection with these
10 proceedings?

11 MR. FUSCO: No objection.

12 MR. AURIEMMA: No objection.

13 CHAIRMAN PERSKIE: All right, the
14 record then will reflect that all those exhibits
15 previously marked into evidence will be admitted here
16 and incorporated by reference.

17 The staff has submitted in addition
18 six other documents identified as C-7 through C-12 in
19 the form of entities and qualifiers reports and EEO/AA
20 compliance reports in each instance for the two hotels
21 and the Division of Financial Evaluation reports at
22 C-11 and C-12. Counsel, what are your several
23 positions with respect to the admissibility into
24 evidence of those documents?

25 MR. FUSCO: The licensees do not

1 object to the admissibility--to the admission of those
2 documents.

3 MR. AURIEMMA: We have no objection
4 either.

5 CHAIRMAN PERSKIE: C-7 through 12
6 inclusive will be received and marked into evidence as
7 per their numbers.

8 (C-7 through C-12 were marked into
9 evidence)

10 CHAIRMAN PERSKIE: Does that take
11 care of all the exhibits, Mr. Zimmerman, as far as you
12 know?

13 MR. ZIMMERMAN: Yes, it does,
14 Chairman.

15 CHAIRMAN PERSKIE: All right, now
16 let's talk about some miscellaneous rulings hither and
17 yon. We have, as I understand it, previously received
18 an application for qualification as a key license
19 holder of Kevin DeSanctis at the Trump Plaza. The
20 Commission has previously as I recall granted a
21 temporary key license for Mr. DeSanctis.

22 MR. AURIEMMA: That's correct.

23 CHAIRMAN PERSKIE: What's the status
24 of that application?

25 MR. AURIEMMA: The status is as soon

1 as I get back to my office tomorrow or the next day we
2 will complete the investigation and the Commission
3 should have a letter on Mr. DeSanctis within the next
4 few days, certainly by the end of the week.

5 CHAIRMAN PERSKIE: So that there is
6 no change in his status at the moment?

7 MR. AURIEMMA: No, there is not.

8 CHAIRMAN PERSKIE: And the temporary
9 license expires with the expiration of the existing
10 Plaza license which is what? May 16.

11 MR. AURIEMMA: May 16.

12 MR. FUSCO: May 16.

13 MR. AURIEMMA: So my intention is to
14 provide timely a letter so that would not be a
15 practical problem for the Commission.

16 CHAIRMAN PERSKIE: Okay, so there is
17 really nothing we can do about Mr. DeSanctis this
18 morning, but we should keep in mind I guess that we
19 will have to act on him one way or the other by the
20 16th of May?

21 MR. AURIEMMA: Right.

22 CHAIRMAN PERSKIE: All right. Why
23 don't we so we don't lose it, next regular session is
24 May 8?

25 MR. FUSCO: Yes, sir.

1 CHAIRMAN PERSKIE: Why don't we add
2 to the agenda for May 8 a report from you. Would you
3 be comfortable saying you will have a report in by
4 then?

5 MR. AURIEMMA: That's fine.

6 CHAIRMAN PERSKIE: Why don't we add
7 to the agenda for May 8 an agenda item on the
8 application of Mr. DeSanctis for a qualification as a
9 key employee.

10 Is Mr. DeSanctis here?

11 MR. FUSCO: Yes.

12 CHAIRMAN PERSKIE: All right, thank
13 you.

14 As to the Plaza rulings as to
15 financial sources, wait just one moment please. Let
16 me get my well organized papers together. Here it
17 is.

18 All right, financial sources at the
19 Plaza, the representation that is made to us,
20 gentlemen, is that none of the--with respect to the
21 Plaza none of the bondholders holds more than 15 ,
22 percent of the bonds outstanding in connection with
23 the prior determinations of this sort made by the
24 Commission. The recommendation that we have,
25 therefore, is that none of the bondholders needs to be

1 formally designated as and qualified to be a financial
2 source.

3 Mr. Auriemma.

4 MR. AURIEMMA: That's correct.

5 CHAIRMAN PERSKIE: Mr. Fusco, that's
6 your understanding?

7 MR. FUSCO: Yes, absolutely, Mr.
8 Chairman.

9 CHAIRMAN PERSKIE: Anybody on the
10 Commission have any comments or questions about that?

11 Mr. Zimmerman, do we need a formal
12 resolution to that effect or does simply the failure
13 to designate anybody as requiring qualification--

14 MR. ZIMMERMAN: That's sufficient,
15 Chairman. The entity and qualifier report does not
16 designate any bondholder as a financial source and
17 there is no need for a waiver.

18 CHAIRMAN PERSKIE: Okay. The record
19 will simply reflect then that the Commission takes no
20 action which in itself is an affirmative determination
21 there is no qualification required.

22 Now we have a petition regarding
23 Trump Seashore Associates and the European American
24 Bank. Give me a second to get my memo organized
25 here.

1 MR. FUSCO: The petition was filed on
2 March 8 and it described--

3 CHAIRMAN PERSKIE: Fusco, excuse me
4 for interrupting you for just a moment. I'm sorry,
5 Mr. Fusco, you may proceed.

6 MR. FUSCO: The petition to which you
7 refer was filed, Mr. Chairman, on March 8 and it
8 describes a transaction involving Trump Seashore
9 Associates and Trump Plaza with a lender bank which is
10 European American Bank. The transaction simply stated
11 contemplates that by virtue of a trust of which United
12 States Trust Company of New York which would be
13 trustee and that entity is already a qualified
14 financial source by prior determinations by the
15 Commission and European American Bank as beneficiary
16 of the trust, European American Bank has already been
17 qualified by this Commission as a qualified financial
18 source, we ask for certain provision approvals and
19 those approvals are set forth at the end of the
20 petition.

21 CHAIRMAN PERSKIE: Mr. Fus--Mr.
22 Auriemma.

23 MR. AURIEMMA: The Commission has my
24 eight page letter dated March 14, 1991. As you can
25 see from that letter we do not oppose the requested

1 relief of TPA and of TSA.

2 CHAIRMAN PERSKIE: It's my
3 understanding essentially that there are two different
4 questions that we need to resolve. One is whether the
5 Commission approves the substantive terms of the
6 transaction and as Mr. Auriemma has just indicated the
7 Division does not object to that.

8 The other is what position that puts
9 EAB and the Trust Company in with respect to their
10 status.

11 Does either of you desire to be heard
12 with respect to that?

13 MR. FUSCO: Only to add to what I
14 have submitted in my papers that I believe that the
15 Commission has, I don't know exact contours, but I
16 think it's relevant, Mr. Chairman, an exemption, a
17 blanket exemption for casino service industry license
18 requirement as applied to entities which have been
19 found to be qualified as financial sources. I'm not
20 sure of the contours, but I have been advised by staff
21 that that ruling may be germane here.

22 CHAIRMAN PERSKIE: Indeed it may.

23 Mr. Auriemma.

24 MR. AURIEMMA: Yes, really the status
25 here is whether European American Bank in the

1 Division's opinion should be a casino service industry
2 or a financial source based on what I indicated in my
3 letter that we believe European American Bank and
4 United States Trust Company should be designated as
5 financial sources. I note for the record again that
6 both of those have, the entities have been previously
7 qualified as financial sources and we believe this
8 transaction is mostly in the nature of a financing
9 transaction and we do not see the need to designate
10 either or both of those parties as CSIs but only as
11 financial sources.

12 CHAIRMAN PERSKIE: Anybody on the
13 Commission have any questions or comments with respect
14 to those issues?

15 Hearing none I would entertain a
16 motion first to prove the terms of the proposed
17 transaction and, second, to designate the European
18 American Bank and the USTCNY as financial sources and
19 to determine that by reason of the fact that they have
20 already qualified as such and continue to qualify as
21 such there is no need pursuant to the Commission's
22 prior ruling to require separate qualification as a
23 nongaming casino service industry.

24 COMMISSIONER WATERS: So moved.

25 COMMISSIONER HURLEY: Second.

1 CHAIRMAN PERSKIE: Any comments or
2 discussion?

3 On the motion all in favor will so
4 indicate.

5 The record will reflect that motion
6 carries unanimously.

7 (All Commissioners present voted in
8 favor of the motion)

9 MR. ZIMMERMAN: Mr. Chairman, with
10 respect to the Plaza there is one other issue that we
11 perhaps could deal with. A-41A is an agreement
12 between the Plaza and Fidelity Management and Research
13 which raises an issue of the status of FMR under the
14 Act. I believe the parties are prepared to state
15 their position with regard to the status of FMR and
16 the Division can give us an update on its
17 investigation of FMR.

18 MR. AURIEMMA: Yes, when the
19 agreement with FMR was entered into it became obvious
20 that FMR would become a financial source if and when
21 the transaction was consummated. Discussions were had
22 between Mr. Fusco and I and with representatives of
23 FMR and we commenced very quickly a financial source
24 investigation. It is completed. We have no negative
25 information. We recommend that the Commission approve

1 them as a financial source. My intention is once I
2 return to my office tomorrow or the next day to have a
3 letter submitted to the Commission to that extent.

4 CHAIRMAN PERSKIE: Are we supposed to
5 act on that now?

6 MR. ZIMMERMAN: We could list it for
7 May 8 as you did with Mr. DeSanctis. I presume we
8 would have a letter by then.

9 CHAIRMAN PERSKIE: You know, I think
10 that's a preferable course of action. I don't
11 anticipate and I'm not looking for any trouble, but
12 frankly the Commission should not be in a position
13 where it needs to act solely on the basis of an oral
14 representation although, of course, Mr. Auriemma, you
15 are who you are and I understand that, but we still
16 ought to look at it and get some benefit of the same
17 general background that your office always provides.
18 So we will hold that but it should be listed on the
19 May 8 agenda as well.

20 Anything further then on a
21 preliminary rulings basis with respect to the Plaza?

22 MR. FUSCO: You have exhausted my
23 list, Mr. Chairman.

24 CHAIRMAN PERSKIE: At least we
25 haven't exhausted you, Mr. Fusco. It's early in the

1 day and we have a lot of work to do.

2 Moving then to the Castle, let's
3 start with the financial source determination. It is
4 my understanding that, again, with the exception of
5 the implications of the Putnam Company's holdings that
6 there are no bondholders save for Putnam and we will
7 deal with that separately. In the judgment of the
8 Commission staff and in the judgment of the Division
9 are required to be, are required to be qualified as
10 financial sources; is that correct?

11 MR. AURIEMMA: That's correct.

12 MR. FUSCO: That's my understanding,
13 sir.

14 CHAIRMAN PERSKIE: Mr. Ehrenberg, do
15 you desire to be heard on that point?

16 MR. EHRENBURG: Only with respect to
17 Putnam.

18 CHAIRMAN PERSKIE: All right, then
19 again the record will simply reflect the affirmative
20 determination by the Commission that save for Putnam
21 no bondholders are required to be designated or
22 qualified as financial sources.

23 Mr. Ehrenberg, I will hear you on the
24 Putnam statement.

25 MR. EHRENBURG: Mr. Chairman and

1 members of the Commission, I am actually here
2 representing not Putnam, but the nine Putnam funds
3 each of them a separate fund that own bonds of the
4 Trump Castle. The total is over 15 percent as we have
5 recognized. You have each received, as has each
6 counsel, a letter from Robert Payne dated March 26 in
7 which he--

8 CHAIRMAN PERSKIE: Just hold up one
9 second. I know I have it. I saw it. I just need to
10 get my hands on it. No, sorry, I have a different, I
11 have an April 29 letter. Which letter are you talking
12 about?

13 MR. EHRENBURG: The letter from
14 Robert Payne dated March 26.

15 CHAIRMAN PERSKIE: Is that in
16 evidence before us?

17 MR. AURIEMMA: No, it is not.

18 CHAIRMAN PERSKIE: In that case the
19 question of whether I have seen it is highly
20 problematic.

21 MR. EHRENBURG: I can summarize it
22 for you if you like.

23 MR. ZIMMERMAN: It's attached to the
24 staff memorandum on the issue, Mr. Chairman.

25 CHAIRMAN PERSKIE: I thought I had

1 seen it.

2 Proceed.

3 MR. EHRENBURG: Since I assume that
4 you are familiar with that--

5 CHAIRMAN PERSKIE: I told you I
6 thought I had seen it. I have it right here and, in
7 fact, I have read it. I assume the other members of
8 the Commission have as well.

9 MR. EHRENBURG: I'm not going to
10 repeat the arguments in that letter, I just wanted to
11 address one other point that is not raised in that
12 letter. It relates to the bills before the New Jersey
13 Senate and Assembly. In both of those bills there is
14 a provision that would amend the Casino Control Act
15 and would change the informal 15 percent rule to a
16 formal 20 percent rule. In one of the bills that goes
17 to 20 percent of all indebtedness, not just any
18 particular issue and the other one is addressed to the
19 debt issue. Obviously if that were a law at this
20 point we would not, the Putnam group would not be
21 required to qualify.

22 As a second issue, in that
23 legislation there is a requirement that if you were to
24 find with respect to a substantial mutual fund you
25 could request that that mutual fund file a certificate

1, indicating that the mutual fund or funds has no
2 intention to control the particular property.
3 Certainly the Putnam funds would be prepared to file
4 any such certificate. There is a registration
5 statement filed with the Securities and Exchange
6 Commission with respect to each of those funds in
7 those--that registration statement. The fund
8 indicates directly that as an investment policy it is
9 not their policy to--

10 CHAIRMAN PERSKIE: Mr. Ehrenberg,
11 with respect to the pending legislation which as you
12 correctly note is pending, and is not presently in
13 law, there is language in the draft of both of those
14 bills which, I don't have it in front of me, but I'm
15 reasonably familiar with what it says, and it talks in
16 terms of the Commission's authority to require
17 approval not only where there is control, but also
18 where the source or the holder is in a position to
19 exercise such an impact upon the controlling interest
20 of the corporation, that licensure is required. Now,
21 again, understanding that we are not dealing with the
22 statute, but rather with a proposed statute, which has
23 to be kept very much in mind, even by that standard,
24 isn't your participation here today and your
25 successful application to participate, doesn't that

1 put you and doesn't your letter of April 29 in which
2 you tell us about your committee's discussions with
3 the Castle management, isn't it clear that you and
4 your--you and your constituent groups have a
5 substantial capacity to affect an impact on the
6 Castle?

7 MR. EHRENBURG: I had a feeling you
8 might ask that question, Mr. Chairman.

9 CHAIRMAN PERSKIE: Then you are
10 prepared for it.

11 MR. EHRENBURG: The point as to
12 interest, obviously each of the members of the
13 Steering Committee in Putnam Management Company is a
14 member of the Steering Committee have an interest in
15 what happens in the Castle. On the other hand, that
16 interest would be the same, perhaps not in dollar
17 amount, but certainly in terms of intensity, even if
18 the dollar amount of the bonds was below 15 percent,
19 even at five percent.

20 CHAIRMAN PERSKIE: And indeed the
21 language of the proposed statute would authorize the
22 Commission to require or authorize the Commission to
23 require licensure or qualification at .5 percent if,
24 in fact, the impact on the management of the company
25 was the same, would it not?

1 MR. EHRENBURG: I don't doubt the
2 authority of the Commission to require a person who
3 holds one bond for \$1,000. If you want that holder to
4 qualify you have that power and I don't contest that.
5 I am merely speaking I believe to your discretion.

6 CHAIRMAN PERSKIE: Okay. In other
7 words, you don't question the authority, you question
8 the need or the judgment.

9 MR. EHRENBURG: Correct. I do that
10 for a variety of reasons referred to really in the
11 letter that is before you.

12 The legislative statement that went
13 along with both of those bills said that the reason
14 for this provision, this amendment, was to facilitate
15 investments by mutual funds in Atlantic City casinos.
16 I would suggest to you--to the Commission that
17 requiring qualification is going to be a deterrent,
18 not an incentive. The requirement to file, to sign a
19 trust agreement creates innumerable issues when you
20 compare the Casino Control Act with the Investment
21 Company Act of 1940 which is a federal statute as well
22 as the Investment Advisors Act. One has to sit with
23 those two and try and square the responsibilities and
24 I can tell you as a securities lawyer, it is a
25 nightmare.

1 For the reasons addressed before you,
2 rather, that are in the letter, as well as this, I
3 would hope the Commission would exercise its
4 discretion.

5 I do want to mention to you that
6 Steven Asher who is a senior attorney and vice
7 president of Putnam Management Company is here today.
8 If there are any questions that any members of the
9 Commission wanted to ask of him, I would be happy to
10 bring him up before you.

11 CHAIRMAN PERSKIE: All right, thank
12 you.

13 MR. EHRENBURG: Thank you.

14 CHAIRMAN PERSKIE: On the Putnam
15 status, Mr. Auriemma.

16 MR. AURIEMMA: I had spoken to Mr.
17 Ehrenberg about this on Friday I believe and I asked
18 him for the latest information as to the ownership of
19 the bonds. Since I haven't heard anything on that I
20 assume that the funds presently own 18.1 percent which
21 is what was represented in the March 26 letter.

22 From our perspective, again, the
23 question is whether or not they shall be required to
24 qualify as a financial source or not. As the
25 Commission is aware, it has ruled which is informally

1 called the 15 percent rule and I guess the actual rule
2 is whether or not these bonds are publicly traded and
3 widely dispersed and whether there is some need to
4 call them in for qualification as a financial source.
5 At the present time the Division does not see the need
6 to have them qualified as a financial source. The
7 question I think you raised with Mr. Ehrenberg is a
8 broader question that perhaps goes to steering
9 committees and whether they can render impact upon
10 licensees which are in some fiscal trouble and as I
11 was sitting here listening to that I think back to the
12 Resorts situation and to the Taj Mahal situation and
13 there may be others, but certainly those two, where
14 there were steering committees and the steering
15 committees were not required to come in as entities
16 themselves for qualification.

17 CHAIRMAN PERSKIE: Now let me see if
18 I understand you. Are you suggesting that you have
19 said that you don't think that Putnam by reason of the
20 nature of its holding or the extent of its holdings
21 needs to be qualified notwithstanding they are
22 slightly higher than the informal ruling that's never
23 been written down?

24 MR. AURIEMMA: Right.

25 CHAIRMAN PERSKIE: What are you

1 saying about the Steering Committee?

2 MR. AURIEMMA: We should follow the
3 past precedent that we have and not at this point
4 require the Steering Committee to seek or obtain some
5 sort of qualification. I think that would be
6 consistent with what we have done in the Taj Mahal
7 situation and the Resorts situation.

8 CHAIRMAN PERSKIE: Well--now, that's
9 right, the Taj Mahal the individual that's filing is
10 not in the Steering Committee, is he?

11 MR. AURIEMMA: That's correct.

12 CHAIRMAN PERSKIE: They hold more
13 than he does, don't they?

14 MR. AURIEMMA: That's correct.

15 CHAIRMAN PERSKIE: We don't have
16 anything in the regs about steering committees, do
17 we?

18 MR. AURIEMMA: No, we do not.

19 CHAIRMAN PERSKIE: Okay. Mr. Fusco.

20 MR. FUSCO: We have no position, Mr.

21 Chairman.

22 COMMISSIONER WATERS: Mr. Chairman.

23 CHAIRMAN PERSKIE: Commissioner

24 Waters.

25 COMMISSIONER WATERS: I need

1 clarification.

2 CHAIRMAN PERSKIE: Anything that you
3 can do to clarify.

4 COMMISSIONER WATERS: No, I need a
5 clarification, I am not trying to clarify for anybody.
6 Are we discussing the qualification
7 of Putnam?

8 CHAIRMAN PERSKIE: Yes.

9 COMMISSIONER WATERS: Or the
10 qualification of the Steering Committee?

11 CHAIRMAN PERSKIE: At the moment the
12 discussion is Putnam.

13 MR. AURIEMMA: At the moment it's
14 Putnam but I was responding to a question that the
15 Chairman asked of Mr. Ehrenberg with regard to
16 Putnam's impact and I thought in that context I would
17 raise the question of the Steering Committee.

18 COMMISSIONER WATERS: I am just
19 dealing with Putnam.

20 MR. AURIEMMA: Right.

21 MR. ZIMMERMAN: Mr. Chair, for the
22 record, the Commission has in the past in some
23 circumstances aggregated stock and bonds held by
24 different individuals when there was a finding that
25 they were under joint/single control and considered

1 them as one block and required the holders to
2 qualify. That was not done with either of the
3 steering committees referred to and as far as I know
4 it has never been done in a steering committee
5 situation and in this case the only facts are what is
6 in Mr. Ehrenberg's motion which are not a lot of fact
7 on which to make that judgment, but the Commission
8 always has the option to make a judgment to aggregate
9 securities if it finds they are jointly controlled.

10 CHAIRMAN PERSKIE: Yes. All right,
11 but that's not really before us. Nobody has made that
12 application yet and it isn't technically before us
13 today, is it?

14 MR. ZIMMERMAN: Right. The only
15 thing before you today is Putnam.

16 CHAIRMAN PERSKIE: Mr. Ehrenberg, I
17 think you can probably answer this without calling
18 your witness, if you can't you will let me know. The
19 letter of March 26 indicates that there are nine
20 separate funds that you manage, the largest holding of
21 any of them being just under 12 percent of the Taj--of
22 the Castle bonds. Am I to understand though that your
23 obligations to your nine clients or your nine funds
24 are generic and that you would not be in a position
25 giving different ones give advice? In other words, is

1 there any basis on which, forgetting your identity at
2 the moment as one of the Steering Committee, and just
3 looking at your identity as the manager of 18.1
4 percent divided over nine funds, the largest of which
5 is two-thirds of your holding, in effect there is
6 no--the fact that there are nine different funds under
7 your management is almost irrelevant, is it not?

8 MR. EHRENBURG: I think not, Mr.
9 Chairman. The important thing to remember is each of
10 these operate by prospectus. Each of these funds has
11 somewhat different objectives. They are really nine
12 different companies. They are organized, they have
13 boards. I don't discount and I'm not suggesting they
14 are different boards of the nine companies, but they
15 are driven by different objective, investment
16 objectives. They have separate sets of shareholders,
17 there may be overlap, but they really are nine
18 different companies.

19 CHAIRMAN PERSKIE: And these holdings
20 were all acquired through the public trading process?

21 MR. EHRENBURG: I believe that's the
22 case, Mr. Chairman, but I would have to ask the client
23 to confirm that.

24 CHAIRMAN PERSKIE: We probably ought
25 to bring him up here for that purpose.

1 Sir, would you raise your right hand
2 please.

3 S T E V E N E. A S H E R, having been first duly
4 sworn, testified as follows:

5 CHAIRMAN PERSKIE: Your full name
6 please?

7 MR. ASHER: My full name is Steven E.
8 Asher.

9 CHAIRMAN PERSKIE: And your position
10 with Putnam?

11 MR. ASHER: I am vice president and
12 senior counsel of the Putnam Companies, Inc.

13 CHAIRMAN PERSKIE: And you are
14 familiar with Putnam's holdings in these nine funds
15 that you manage of the Castle bonds?

16 MR. ASHER: I am generally familiar
17 with the operations of the nine investment companies.

18 CHAIRMAN PERSKIE: Is it--the
19 assumption I have been making, tell me whether it is
20 correct or incorrect in whole or in part, is that
21 these nine different funds that have the holdings
22 acquired those holdings in the ordinary course of
23 business and pursuant to the public trading of those
24 securities.

25 MR. ASHER: That's my understanding,

1 yes, Mr. Chairman.

2 CHAIRMAN PERSKIE: And that the funds
3 did not, the nine different funds did not necessarily
4 undertake any concert of action to acquire their
5 separate positions in the Castle bonds?

6 MR. ASHER: There was no agreement
7 among them, Mr. Chairman. The Putnam Management
8 Company may have decided this investment was suitable
9 for all nine of these companies and it may have
10 purchased--

11 CHAIRMAN PERSKIE: The investment
12 decision to acquire the interest or position in Castle
13 was a Putnam decision or was a client decision or was
14 a client decision on Putnam's advice or what?

15 MR. ASHER: All investment decisions
16 including these investment companies are made by their
17 investment advisor, the Putnam Management Company.
18 However, the Putnam Management Company making
19 investment decisions does them on a fund by fund
20 basis. It makes the decision that this investment is
21 suitable for some funds not for others.

22 CHAIRMAN PERSKIE: But the discretion
23 in question is Putnam's?

24 MR. ASHER: The discretion in
25 question is the Putnam Companies although the board of

1 trustees of each of the funds could, if they so chose,
2 direct them to buy or sell as they see fit.

3 CHAIRMAN PERSKIE: Anybody on the
4 Commission have any questions of the witness?

5 COMMISSIONER WATERS: I just have
6 one, Mr. Chairman, of Mr. Ehrenberg.

7 MR. EHRENBURG: Yes, sir.

8 COMMISSIONER WATERS: Insofar as
9 Putnam is a part of the Steering Committee, the
10 different funds are not going to take a different
11 position, are they, with regard to anything that grows
12 out of that activity?

13 MR. EHRENBURG: I can't speak for the
14 fund. The member of the Steering Committee is the
15 investment advisor, Mr. Commissioner, which is Putnam
16 Management Company.

17 CHAIRMAN PERSKIE: Investment advisor
18 to the Steering Committee?

19 MR. EHRENBURG: Sorry, the advisor to
20 the funds is the member of the Steering Committee.

21 COMMISSIONER WATERS: So then to get
22 back to the question, whatever course of action that
23 advisor takes in any matter coming before the Steering
24 Committee would be binding then on all the funds? In
25 other words, they have some independent course of

1 action they could take that would be contrary to the
2 decision on the part of the advisor.

3 MR. EHRENBURG: I think that
4 theoretically there is a power of the board and,
5 Steven, please correct me if I'm wrong, the board
6 could require separate action.

7 MR. ASHER: The board could require
8 separate action. In any event the investment advisor
9 at any time could make the determination of holding or
10 selling the securities is or is not in the best
11 interest of one or more of the funds.

12 COMMISSIONER WATERS: I am not
13 dealing with that at this point in time. I am dealing
14 with the activities on the part of the Steering
15 Committee.

16 CHAIRMAN PERSKIE: He is talking
17 about the negotiations--

18 COMMISSIONER WATERS: Can the funds
19 enter into that and contradict the judgment made by
20 the advisor who is a part of the Steering Committee.

21 MR. ASHER: Sure, if the board of
22 trustees decided that what Putnam Management did was
23 not, in fact, in the best interest of the shareholders
24 of one or more funds they would reject Putnam
25 management's advice. They certainly have the power to

1 do that and certainly would be monitoring the work of
2 the Steering Committee closely to make sure that it
3 was consistent with the best interest of the different
4 groups of shareholders.

5 COMMISSIONER WATERS: Fine.

6 CHAIRMAN PERSKIE: Anybody else have
7 any questions?

8 All right, thank you, sir.

9 Anybody else want to be heard?

10 Comment or discussion?

11 Interesting problem. I am looking at
12 it from a number of points of view, one of which is
13 what would be our position if today the law were as
14 the legislature is being asked to modify it. It seems
15 to me that we would be faced today with pretty much
16 the same question if the law were--the bills that were
17 presently before the legislature were already the
18 law. That would provide in effect a general guidance
19 that 20 percent holdings would be presumed to be not
20 requiring qualification which is generically
21 consistent although not numerically exact with the
22 role the Commission has already apparently taken at
23 the 15 percent level. But the legislative language
24 would also provide the authority of the Commission to
25 require qualification notwithstanding the percentage

1 holding in the event that there was either an action
2 to affect control or that the holder was in a position
3 to affect such an impact upon the management or
4 controlling interest of the company so that
5 qualification would be required.

6 It seems to me, that's not the
7 language of the statute, although it is consistent
8 with the philosophical approach the Commission has
9 already taken so essentially that's what I mean when I
10 say the enactment of this legislation making the 20
11 percent number would not automatically resolve this
12 issue. It would change the ground rules a little bit,
13 but it seems to me the issue before us is the nature
14 of Putnam's position. I'm not frankly particularly
15 concerned over the fact that 18.1 is 3.1 percent
16 higher than the Commission's informal rule of the past
17 and the Division by its position obviously is not too
18 concerned about that either. That doesn't
19 particularly impress me. Particularly as I have said
20 since there is every reason to believe the legislature
21 is about to come out at a 20 percent number anyway.

22 But my concern is that that's not
23 exactly where Putnam is today in connection with this
24 holding of this licensee. This licensee is in
25 difficulty. It is no secret and the reports that are

1 already in evidence before us establish that there are
2 some very difficult financial issues here. Putnam by
3 its letter of April 29, today, to us makes clear, and
4 I'm not trying to be critical, Mr. Ehrenberg's letter
5 of April 29 says nothing other than what any of us
6 would assume it ought to say which is that the
7 Steering Committee holding 33 percent of the bonds in
8 discussion with another 48 percent holders have been
9 in active negotiations with The Trump Organization and
10 the Castle that those negotiations are ongoing, the
11 terms of any deal are open, that there is at this
12 point no formal agreement, no agreement formal or
13 otherwise. There is an offer which is outstanding.
14 There is, as I understand this letter, a contemplation
15 of some counteroffers. There are no agreements at
16 this point with respect to what I suspect will be
17 important questions regarding the Steering Committee's
18 governance and provenance and funding. The point of
19 all that being that if not the Steering Committee as a
20 whole, certainly Putnam's status as one of the
21 heavyweights in the Steering Committee will over the
22 course of the next few weeks, at least until an
23 agreement is reached, exercise substantial impact on
24 the discretion, the judgment, the management and
25 indeed the financial status of this licensee.

1 I think I would conclude that frankly
2 even if the law today were as I hope it will be or as
3 it's been presented to the legislature. Bottom line
4 is in my own view on the record before us I am
5 satisfied that difficult as it may be and burdensome
6 as it may be, I think Putnam needs to be before us on
7 an application for qualification. I would so move.

8 COMMISSIONER WATERS: Second.

9 CHAIRMAN PERSKIE: Any comment or
10 discussion?

11 On the motion all in favor will so
12 indicate.

13 Opposed?

14 The record reflects the motion
15 carries by a vote of four to one, Commissioner Dodd in
16 the negative.

17 (Chairman Perskie Vice Chair
18 Armstrong and Commissioners Waters and Hurley voted in
19 favor of the motion)

20 (Commissioner Dodd dissented)

21 CHAIRMAN PERSKIE: My understanding,
22 Mr. Zimmerman, under our standard procedure they have
23 so much time within which to file the application.

24 MR. ZIMMERMAN: 30 days under the
25 statute.

1 CHAIRMAN PERSKIE: Failing which they
2 what, have to file an ICA?

3 MR. ZIMMERMAN: No, they have 30 days
4 to file the application for an ICA which would include
5 the trust.

6 CHAIRMAN PERSKIE: Okay. Mr.
7 Ehrenberg, if you are not comfortable with what you
8 need, check with Mr. Zimmerman later.

9 All right, Fred Trump we have already
10 determined.

11 Does that clear the deck? Any other
12 miscellaneous administrative matters that need to be
13 addressed before we deal with openings and testimony?

14 Why don't we proceed to opening
15 statements if nobody minds and then maybe we will take
16 a brief recess.

17 Mr. Fusco.

18 MR. FUSCO: Mr. Chairman, members of
19 the Commission, on January 16 Trump Plaza Associates
20 and Trump's Castle Associates Limited Partnership
21 applied for renewal of their casino licenses. The
22 Trump Plaza at the heart of the boardwalk adjacent to
23 convention hall has held its license for seven years
24 since May 1984. The Castle on 15 acres overlooking
25 the 600 slips in Farley's Marina has held its license

1 for six years since June 1985. Both renewals will
2 extend through May 16, 1993.

3 Each licensee enjoys a new executive
4 management team. Nicholas Ribis, who will testify
5 today, has served as chief executive officer since
6 February and is a member of the executive committee of
7 each licensee. Roger Wagner who will also testify has
8 been president and chief operating officer of the
9 Castle for just over three months. You know Mr.
10 Wagner. He has been an Atlantic City executive for
11 eight years and brings more than 20 years of casino
12 industry experience to the Castle. As you will see
13 from the testimony he was very carefully and
14 appropriately selected to bring his special management
15 skills to that property.

16 Mr. Wagner will testify about how the
17 Castle has structured its senior management team and
18 is positioning itself in the Atlantic City casino
19 market. He will discuss its financial forecast
20 through May 1993 and specifically address new
21 efficiencies it has already achieved, a revenue
22 enhancement program it is now implementing and current
23 and future operations cash flow.

24 Kevin DeSanctis has been president
25 and chief operating officer of Trump Plaza since

1 March. He is trained as an accountant and is a former
2 trooper with the New Jersey State Police and former
3 detective with the Division of Gaming Enforcement. He
4 also brings 12 years of experience as a casino
5 industry executive. Most recently serving as the
6 executive in charge of all casino operations at the
7 Mirage in Las Vegas for the 17 months preceding his
8 employment at Trump Plaza. Mr. DeSanctis has been a
9 senior casino executive at four other major Nevada
10 casino hotels. He will testify about the management
11 focus he has established at Trump Plaza, the team he
12 has assembled to implement its plan and the changes he
13 has made to its casino and other operations. He will
14 discuss financial forecasts, operating results, casino
15 marketing complimentaries and credit and current and
16 future cash flow.

17 Mr. Ribis, finally, will specifically
18 discuss the exchange offered at Trump's Castle funding
19 bondholders and the Trump Plaza agreement to purchase
20 Trump Plaza funding bonds from Fidelity Research and
21 Management Company. These transactions will satisfy
22 upcoming bond sinking fund obligations. He also will
23 discuss plans to satisfy the 1992 sinking fund
24 obligations.

25 At the close of the testimony you

1 will find that the hearing evidence clearly and
2 convincingly establishes that both Trump Plaza and the
3 Castle are and will continue to be financially stable
4 and that both will have the adequate financial
5 resources to operate their casinos through May 1993.

6 Thank you.

7 CHAIRMAN PERSKIE: Thank you.

8 Mr. Auriemma.

9 MR. AURIEMMA: Today Trump Plaza
10 Associates and Trump's Castle Associates each seek a
11 two year renewal of their respective casino licenses.
12 Last August the Commission reopened the casino license
13 hearings of these two licensees. However, as we know,
14 reopened hearings did not begin. Rather, those
15 reopened proceedings were recently consolidated with
16 the present renewal proceedings.

17 Similar to the recently concluded
18 hearings involving the Taj Mahal and Donald Trump,
19 there are two primary aspects in the Division's view
20 to today's proceedings, both financial, one involving
21 the Plaza and the other one involving the Castle. We
22 do not believe that there are any other critical
23 issues affecting the licensees that have not already
24 been addressed.

25 Since two year licenses are sought,

1 each licensee must establish to the satisfaction of
2 the Commission that it possesses, among other things,
3 the requisite financial stability for the entire
4 license term. One key to stability with both of these
5 licensees revolves principally around their ability to
6 satisfy their sinking fund and interest payments to
7 public bondholders in each of the next two license
8 years while maintaining adequate cash balances.

9 The licensee publicly acknowledged
10 that liquidity problems plague both facilities and
11 financial reorganizations are necessary. As with the
12 recent Taj Mahal and Trump reorganizations,
13 developments have occurred in the last several weeks
14 regarding each licensee. Specifically one development
15 is a letter agreement with Fidelity Management and
16 Research Company, A-41A in evidence, which if
17 consummated will satisfy this June's 25 million dollar
18 sinking fund payment of Trump Plaza. The licensee,
19 however, must also demonstrate how it will satisfy
20 this June's bond interest payment as well as an
21 interest payment in December of 1991 and an interest
22 and sinking fund payment that are due in 1992. Of
23 course, while satisfying these payments Trump Plaza
24 must also show that all its obligations are being met
25 and that sufficient cash is available to effectively

1 run its operation.

2 The second development that has
3 occurred recently involves a proposed exchange offer,
4 A-47B in evidence, of certain Trump Castle Funding,
5 Inc. mortgage bonds and if this occurs there will be a
6 satisfaction of the June 1991 sinking fund payment.
7 Here too we believe this licensee must explain how it
8 will satisfy all other obligations during the two year
9 license term especially since heavy reliance is
10 seemingly being placed on a very successful casino
11 operation.

12 Our scrutiny of the Castle is
13 extremely heightened given the fact that this licensee
14 did not make its June 1990 interest payment to its
15 public bondholders timely, but rather needed an
16 infusion of a larger amount of funds and the
17 applicable 10 day grace period. Also as we know the
18 December 1990 bondholder interest payment was only
19 narrowly made after a relatively small infusion of
20 funds.

21 I stood before you several weeks ago
22 and indicated with respect to The Trump Organization
23 that a financial restructuring was essential. I make
24 the same comment here today regarding these two
25 licensees. Both Trump Castle and Trump Plaza must

1 accomplish certain fiscal reorganizations if they are
2 to prove to this Commission their financial stability.

3 Thank you.

4 CHAIRMAN PERSKIE: All right, thank
5 you.

6 That reminds me to address,
7 gentlemen, a letter that we have received today under
8 today's date from Mr. Bollenbach of The Trump
9 Organization. The letter in four pages is in
10 compliance with one of the license conditions attached
11 last week to the Taj license which required a weekly
12 report from Mr. Bollenbach not later than Tuesday
13 morning of each week. This report, Mr. Fusco, as I
14 understand it is submitted in compliance with the
15 requirement for tomorrow's report.

16 MR. FUSCO: You are correct, Mr.
17 Chairman.

18 CHAIRMAN PERSKIE: And will be
19 received in connection with the Taj proceedings in
20 that light, but it occurs to me that the subject
21 matter with which it deals which is the financial
22 reorganization of The Trump Organization is relevant
23 and should be considered in connection with these two
24 properties as well and, accordingly, it properly ought
25 to be I suspect an exhibit in connection with these

1 proceedings.

2 MR. FUSCO: Yes, Mr. Chairman.

3 MR. AURIEMMA: I have no objection to
4 that.

5 CHAIRMAN PERSKIE: It will,
6 therefore, be offered and received as exhibit A-51 in
7 evidence and I would express my appreciation to Mr.
8 Bollenbach and to the organization for bettering by a
9 day the requirement of the report.

10 (A-51 was marked into evidence)

11 CHAIRMAN PERSKIE: This report, Mr.
12 Fusco, is generically of the type that we had in
13 mind. The Commission will expect on a weekly basis
14 that this type of report, the specific progress on
15 each transaction will be submitted.

16 MR. FUSCO: That is our intent, sir.

17 CHAIRMAN PERSKIE: We will take a
18 brief recess and reconvene at quarter of.

19 MR. ZIMMERMAN: Mr. Chairman, I will
20 also note I received early last Friday the
21 registration statement update and I have a box full of
22 them in my office if Mr. Fusco would care to put them
23 in evidence.

24 MR. FUSCO: That specifically relates
25 to the Taj Mahal. I will follow whatever your wishes

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1 are. I don't know that we are coming back as the
2 Commissioner has indicated on the 16th of June or the
3 17th.

4 CHAIRMAN PERSKIE: I don't know that
5 it needs to be in evidence here. We should indicate
6 for the record in connection with the Taj proceedings,
7 which all are basically consolidated, but we should
8 indicate that in that context we have received them in
9 compliance with the other license condition and we
10 will be expecting regular reports from the
11 organization with respect to the solicitation process
12 hopefully to begin within the next week. In any
13 event, hold those and, of course, we will deal with
14 them when we get to the 17th of June.

15 MR. ZIMMERMAN: Yes.

16 (At which time a break was taken)

17 CHAIRMAN PERSKIE: Mr. Fusco, you may
18 proceed.

19 MR. FUSCO: The licensees would call
20 Mr. Wagner.

21 DIRECT EXAMINATION

22 BY MR. FUSCO:

23 Q Mr. Wagner, you are--what is your present
24 position at the Castle?

25 A I am the president and the chief operating

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1 officer.

2 Q And when did you commence that service?

3 A I started work at Trump Castle on January
4 18, 1991.

5 Q And you are employed pursuant to a three
6 year contract, correct?

7 A That's correct.

8 Q And could you give the Commission a sense
9 of your educational background?

10 A I hate to tell them how old I am, but I am
11 a 1969 graduate of UNLV, Running Rebels.

12 CHAIRMAN PERSKIE: Thanks. Some of
13 us really appreciate that.

14 A I started in the casino industry in 1966
15 and I had my first management position at the Sands in
16 1969. I have been in New Jersey for almost eight
17 years. I was previously the president at the Claridge
18 Casino, a position I held for five years. I also was
19 a senior executive of the Edgewater in Laughlin,
20 Nevada. I was executive VP of the Sands in Las Vegas
21 and I opened the MGM in Reno as executive VP. So I
22 have a good background in four geographical market
23 places.

24 Q You have been now at the Castle as the
25 chief operating officer for three months. What did

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1 you find when you first arrived in January and what
2 have you been able to accomplish, Mr. Wagner, to date?

3 A Okay, I guess it's no secret to anybody
4 that 1990 was a disastrous year for the Castle and
5 when I took the job when Mr. Trump talked to me back
6 just around New Years Eve, I was well aware of the
7 problems we would encounter as was he. I took the job
8 with the understanding I would enjoy full authority
9 over changing the business practices and the
10 strategies and the marketing positioning of this
11 company because as we know in 1990 the Castle suffered
12 the most from the opening of the Taj. What the
13 marketing executives call the brand name line
14 extension trap fell into the Castle more than any
15 other casinos in town. Our identity was denigrated
16 and as the Castle in 1990 tried to keep its market
17 share, it put horribly expensive promotional and
18 complimentary programs in place. The end result was
19 both the revenues went down, at the same time the
20 expenses did not decline in their quest to stay up
21 with the market which happened to be the same market
22 as the Taj's. So when I came on in January I had to
23 undertake three important steps. The first one was to
24 reorganize the management organization and the staff
25 itself. As we know The Trump Organization has gone

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1 through a lot of management changes. I have been with
2 The Trump Organization 100 days and I am senior
3 president now so it's I guess by default--

4 CHAIRMAN PERSKIE: Did you hear that
5 Ribis?

6 A By default a lot of management at the
7 Castle may have been there a long time developed what
8 I call departmental island management that they tried
9 to protect their own management turf and the
10 bureaucracy in the middle developed over the last
11 couple of years. I came in and identified senior
12 management most of whom was at the Castle. I have
13 only brought in a couple of people and we reorganized
14 the structure, we got rid of approximately 210 middle
15 management people in the end of January, approximately
16 10 days after I arrived at the Castle and since that
17 time I have eliminated another couple hundred
18 positions as we have been able to figure out how we
19 can operate more efficiently and put some of the
20 positions either get rid of them or consolidate them
21 as is appropriate. We disbanded a number of the
22 functions at the property that were nice to have in
23 good times, but which we couldn't afford in bad times
24 such as the in-house print shop. I closed the
25 transportation facility. From Trump Castle's

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1 standpoint it was an unnecessary function of the
2 magnitude we had. We also got out of the laundry
3 business as a contractor. We still do our own
4 laundry, but we found we couldn't do it for other
5 casinos in town given the casino wage rates that we
6 were paying.

7 During the period of time that we
8 were reorganizing the management structure I am proud
9 to say we have a good group of talented people on
10 staff at the senior level now. Just recently joining
11 us this morning with the comfort that we are going to
12 make it through in the long run is a gentleman by the
13 name of Barry Cregan. He started this morning coming
14 out of Hyatt in Chicago where he operated eight
15 properties for Hyatt. He previously worked in
16 Atlantic City and in Las Vegas. We are really
17 delighted to get him back. As you also know we moved
18 Rich Zappulla back to the Castle where he started in
19 1985 which has really been a help to our casino
20 operations and build morale and Bob Pickus and Tom
21 Venier at the Castle. We have got a real good nucleus
22 of executives.

23 CHAIRMAN PERSKIE: What's Mr. Cregan
24 going to do?

25 THE WITNESS: Mr. Cregan will become

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1 vice president of the hotel operations. He is filing
2 for his license this morning.

3 A During the 90 day period that we were
4 reorganizing and trying to get costs down, which we
5 have done so far to the tune of about 30 million
6 dollars on an annualized basis, we started a program
7 of setting our new positioning into place. We have to
8 at the Castle get away from our reliance on the Trump
9 name. We are calling it the Castle. Donald has
10 supported this. While it may be a little tough for
11 him to have his name shrunk down above the Castle
12 headline, we intend to position the Castle totally
13 separate as a resort facility, as a casual Trump
14 property instead of the formal Trump property and I
15 think Mr. Ribis will and Mr. DeSanctis will show that
16 that's the intent as well at the Taj and the Plaza to
17 make them distinct entities, to have them compete
18 toward that segment of the market that we will appeal
19 to better.

20 In that regard we have had to change
21 our product because in marketing you are dealing with
22 product, pricing, promotion of that product and, of
23 course, delivery of service within the place. The
24 four Ps we call it. Our strategy is to be aimed more
25 closely at pirating customers from the boardwalk that

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1 have large parking garages and not necessarily those
2 from The Trump Organization. We are doing our
3 strategic bombing planning right now so that we don't
4 take out Trump enterprises when we go after that
5 market. Along with the strategies and our
6 advertising, our promotion efforts that will be
7 kicking up, I will state a few of them, most of them
8 around Memorial Day works around our product.

9 The Castle product was designed for
10 the very high end customer. As a consequence of that
11 approximately 75 percent of the rooms were comped, a
12 very large proportion of the food and beverage was
13 comped and, in fact, the Castle led the industry in
14 percentage of promotional expense to its revenue.

15 Our goal is to let paying people
16 enjoy the facilities of what I think is the best
17 physical property in Atlantic City without a doubt.
18 We have lowered the prices of our guest rooms so that
19 they are competitive with those people we want to go
20 after that are currently staying in hotel rooms on the
21 boardwalk. We have lowered the prices of three of our
22 four specialty restaurants so that people can come in
23 there and enjoy gourmet food and specialty room food
24 at a price that is reasonable. We have moved about
25 our buffet back to a location where we can serve 2,500

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1 people a day as opposed to 900. We are reconstructing
2 at this very moment a new lobby bar so that people can
3 enjoy all aspects of our facility.

4 On Saturday night we instituted a new
5 showroom policy which is a two wall show entitled
6 Hollywood to Broadway. It kicked off very well. It's
7 a show where the producer will share part of the risk
8 of the production and will share a part of the rewards
9 if we do well with it. As a consequence of that we
10 intend to cut entertainment expense by about four
11 million dollars a year.

12 For the Commissioners I have provided
13 some charts and I know figures lie in liars figures
14 sometimes, but I thought it might be appropriate to
15 review the charts because in 90 days I am very proud
16 of what our management team has been able to do. We
17 have dropped the break-even point in the casino from
18 \$624,000 a day in December down to \$442,000 a day
19 through March. This was a combination by cutting
20 expenses, complimentaries, payroll as well as
21 increasing cash revenues from the hotel side of the
22 ledger which has enabled us to bring the break-even
23 for the casino down more than it had in the past. The
24 Castle had a great reliance on the casino revenue only
25 because of its complimentary program.

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1 The second page, B, shows you how we
2 have trimmed the equivalent full-time employee
3 headcount. The cuts you see from February and March
4 as opposed to December and January reflect the
5 management cuts. Last year the Trump's Castle
6 management did cut employees, but they tended to be
7 change people, people that cleaned rooms and bus
8 dishes. We had to take the big chunk and make a big
9 savings of about 10 million dollars out of management
10 and that's where we went and got it.

11 In addition to those cuts we froze
12 management's wages and the management including myself
13 hated to do that 10 days after I got there, took a cut
14 in pay and I had to lead the cut, but I thought it was
15 important to get the point across as we froze the
16 other management's pay. That pay will be reinstated
17 to our management when we achieve our financial
18 projections. Everybody is diligently looking to have
19 that happen.

20 On the third page our accounts
21 payable at the end of the year were very high in
22 excess of 11 million dollars. My desire was to get
23 our trade payables down to industry average. The
24 payables on December 31 if you take out the Taj and
25 the Castle, the remaining 10 casinos average about 5.6

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1 million dollars. Right now we are just about at that
2 point, 5.2 million dollars in trade payables. At the
3 same time that we paid down our creditors you will
4 note that we have been able to build cash
5 simultaneously and in the worst part of the year
6 during the absolute worst disruption a company could
7 go through with the management change that we put into
8 place and all the people we let go. So I believe
9 those trends are very important.

10 CHAIRMAN PERSKIE: What's this
11 reference in 49C to investments? What's that mean?

12 THE WITNESS: The investment account
13 is our cash not counting that needed in the cage in
14 the hotel banks and all. The free cash available.

15 CHAIRMAN PERSKIE: Cash on hand.

16 THE WITNESS: To pay the interest
17 payment.

18 A We have about five million additional
19 dollars in casino cage and hotel banks and slot
20 machine hoppers and all.

21 Handout D shows where we have taken
22 promotional allowances and complimentaries from 18
23 and-a-half percent of our casino win down to 11
24 and-a-half percent of our casino win in March. My
25 goal is to try to have that stabilized around 12, 12.2

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1 percent, somewhere around industry norm.

2 The chart on number E, rooms revenue,
3 again this shows our quest to bring cash revenue into
4 the place, allow occupancy to build with paying
5 customers. We have finally crossed the line where we
6 have 44 percent of our rooms being comped or revenue
7 being comped and 56 percent of our revenue now being
8 paid in cash. We are running about 92 percent
9 occupancy for the month of April. So we have achieved
10 our goal there and our products, our room products are
11 superior to almost everybody's in town. We are going
12 to exploit that in our marketing.

13 The same way with food and beverage
14 revenues where we were way high on the comp side we
15 brought it to a 54/46 ratio in the month of March and
16 the industry average is just about 55 for the last
17 quarter in December. So we are about where we should
18 be on food and beverage revenues.

19 The effect of our gourmet room
20 program is seen in the last, second to last graph
21 where we have been able to push cash revenue almost
22 equal to comp revenue in the specialty rooms. That's
23 the four gourmet rooms. Obviously some of that is the
24 fact that we are comping less so the cash revenue
25 looks like a bigger percentage, but we actually are

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1 trending upward as the last graph will show you, the
2 April food covers mid week are trending quite well.
3 So we are starting to use our facility.

4 CHAIRMAN PERSKIE: Food covers are
5 cash payments?

6 THE WITNESS: Total people served.

7 CHAIRMAN PERSKIE: So that includes
8 the comps?

9 THE WITNESS: Includes the comps and
10 cash.

11 CHAIRMAN PERSKIE: Have the cash
12 figures, I know they have gone up as a percentage,
13 have they gone up in actual dollars?

14 THE WITNESS: Cash figures in the
15 gourmet restaurants have gone up and overall cash is
16 stable in the food and beverage department, slightly
17 behind in the rooms department because we lowered our
18 room rates and that should pay off for us as we keep
19 our occupancy load full.

20 A So that kind of gives you a little bit of
21 a flavor for the trend line. 90 days really doesn't
22 tell you a heck of a lot. It's a very short period of
23 time but I am very pleased with what we have been able
24 to accomplish so far. Obviously the revenue side of
25 the picture is coming slower because we did chase

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1 business out when we cut back on expenses. People
2 were spoiled over a period of time at the Castle. To
3 bring new profitable revenue back in we have to go
4 after other people's profitable revenue and find new
5 markets.

6 We are working closely with U.S. Air
7 and are undertaking a number of sampling programs out
8 of the mid west on some interesting Tuesday and
9 Wednesday night overnight stays where we are actually
10 comping the rooms to U.S. Air and those people are
11 quite productive. We have the ability to measure our
12 customers better than ever. I don't want to tell our
13 whole marketing plan. I see a Harrah's representative
14 in the back of the room. Harrah's is not our enemy,
15 they are our ally for the boardwalk against the
16 Marina, but we are also changing our product in the
17 casino and that's the biggest most radical thing that
18 will take place between now and June 1, hopefully
19 Memorial Day, and I have provided for the Commission a
20 before and after look of our casino floor to kind of
21 show you what we have done there. The floor will
22 completely change. We are in the process now. I will
23 come up and show you.

24 CHAIRMAN PERSKIE: You are referring
25 now to the exhibit that we have marked as A-50?

Wagner - Direct by Fusco

1 A Yes. The Castle product has been
2 unchanged in slot machines since Hilton took it over
3 with very few exceptions. The property is in
4 wonderful shape. It needs very little capital
5 expenditures, but it needs a tune-up in slot
6 machines. We have ordered that and most of them are
7 already at the distributors shops here in Atlantic
8 City, 400 brand new slot machines which we will be
9 renting, leasing and deferring so as to have the least
10 impact on our June 15 payment. But keep in mind I did
11 have to put some things into place even before the
12 June 15 payment. I didn't take the job to make the
13 June 15 payment. I took it to serve out my three year
14 contract hopefully and make the Castle come about long
15 range.

16 The old layout is down here. We have
17 about 20 percent of our slot machines with stools and
18 we have six foot aiseways throughout this place, real
19 tight cavernous, claustrophobic, you can't see over
20 the slot machines. We are in the process now, this
21 whole area is being worked on at this very moment
22 where we are opening up aisles, widening aisles, we
23 ordered 700 additional stools which will be here by
24 the 15th of May and we will have a very comfortable
25 casino for our slot customers.

Wagner - Direct by Fusco

1 CHAIRMAN PERSKIE: What's the impact
2 in terms of gross number of slot machines?

3 THE WITNESS: Believe it or not the
4 slot machine numbers stay relatively the same. We
5 actually decline by about 20 when we get through.

6 A We will be removing three pits of table
7 games. Currently we don't use this pit. This pit
8 hasn't been spread for almost a year. No demand for
9 it. We are removing the slot machines in this area,
10 putting a pit into there, removing the three pits here
11 so we will have a net loss of 14 table games, 12 of
12 which we are not using at all now anyway. We have
13 removed one baccarat game so we will be down to two
14 instead of three and we are able to get an extra
15 couple blackjacks in our high limit pit. So the
16 impact is really minimal on table games. At the same
17 time we wind up with the biggest concentration of
18 poker machines in the city in one area and very, very
19 cost comfortable poker which everybody knows is the
20 oncoming favorite kind of game for slot players. We
21 are installing the first Las Vegas style poker bar
22 except for bartender. It will be a high poker bar
23 with canopy high stools and flat top pokers, the brand
24 new one from IGT that have just been released and we
25 will service that with change people and a cocktail

Wagner - Direct by Fusco

1 waitress. In addition we will have slant top pokers
2 like you have seen in some of the places in the Mirage
3 and a wide variety of other IGT players' edge pokers,
4 giving us a concentration of pokers, a concentration
5 of great high frequency dollar machines. The Castle
6 has always been perceived as tight. We will change
7 that perception and that will compliment one of the
8 most productive high limit slot areas in the city. At
9 the same time it will give us a very good movement
10 within our games operation because currently the games
11 concentrate up here when it's slow and we have a very
12 dead bowling alley approach back to our high limit
13 pit. By making this change this part of the casino
14 will be full all the time even during slow periods
15 leading people back into the high limit pit so they
16 don't feel like they are all by themselves.

17 Basically that's the change for the
18 casino product and that will be available--

19 CHAIRMAN PERSKIE: Excuse me a minute
20 you said three pits will come out. That one--

21 THE WITNESS: These three pits come
22 out, one, two, three. The dice pit, there are two of
23 them adjoining.

24 CHAIRMAN PERSKIE: I didn't see that,
25 all right.

Wagner - Direct by Fusco

1 A Of course, the DCA is very happy with
2 this. We wind up with wide aisles, we wind up with
3 better access to our fire escapes and the visibility
4 through the casino, when you come in the bus entrance
5 you can see through the casino. It's just opening it
6 up and it already has had some very great effects. We
7 opened up the other, Friday night with this old area
8 with brand new universal dollar machines and customer
9 acceptance to them has been outstanding. So I can
10 hardly wait until the floor is complete.

11 That gives you a little bit of an
12 update where we are headed with the product.
13 Hopefully by Memorial Day the products will be in
14 place, they will be priced and then we will start
15 promoting them putting the gas pedal on and try to
16 make our impact in the marketplace.

17 Any questions on the floor?

18 Q Mr. Wagner, have you revised your casino
19 marketing or junket or credit policies?

20 A We eliminated the junket programs. While
21 they drove revenue last year about 30 million dollars
22 a drop, the best that our pencil people could do lying
23 would show a three million dollar loss so we
24 discontinued them, and likewise with credit, we are
25 still liberal with credit where it's warranted, but I

Wagner - Direct by Fusco

1 have put in specific safeguards so that the credit
2 manager cannot be overridden without my approval or
3 without Mr. Ribis' approval. We have set in
4 benchmarks that are more conservative. I did lower
5 the limits in the casino when I first came in because
6 we were at what I considered not to be an acceptable
7 balance of cash and we now have an acceptable
8 balance. I found that most of our customers are happy
9 with the limits. We are not changing our limits. We
10 still have acceptable limits in excess of five and
11 \$10,000. Not too many people make those kind of
12 bets. We are not betting \$100,000 anymore.

13 Q The exhibits contain management forecasts
14 of the Castle's financial condition through mid 1993.
15 Are these projections in your opinion reasonable and
16 attainable?

17 A Yes. I believe we will make those. I
18 hope to exceed those.

19 Q January to March is the first quarter
20 period. It is now closed. The Castle operating
21 results have been reported on. How did these results
22 effect your opinion that the Castle forecasts are
23 reasonable?

24 A I pride myself in being able to forecast
25 fairly accurately and I think the Commissioners

Wagner - Direct by Fusco

1 remember from the Claridge we were able to do that
2 pretty effectively, at least the last 36 months in
3 particular. Our programs and our management
4 are--management is programmed to flex with the
5 revenue. Games revenue has come back a little slower
6 than I had hoped. Slot revenue on the other hand
7 overachieved the projections in the first quarter. We
8 need to have about 7.3 percent of the market to
9 meet--make our projections. Obviously the projections
10 show that we will achieve our goals by having a very
11 good third quarter. That's the main reason to have
12 our products in place, not go out and do crazy
13 promotions until we are ready to go and I am confident
14 we will be ready to go with a full blown campaign to
15 use our new facility and I think it will be a new
16 facility. We have some surprises I won't talk to you
17 about in public right now as to what we intend to do
18 around the first part of June.

19 Q You exceeded your forecasts in operating
20 income, is that correct, Mr. Wagner?

21 A Yes, we did. We beat the projections by
22 \$600,000 in operating income and that was given a very
23 disruptive first period of the year. We had with
24 three hundred some people laid off, we weren't
25 liberal, but we did give severance benefits to

Wagner - Direct by Fusco

1 virtually everybody that left and that was very costly
2 for us.

3 CHAIRMAN PERSKIE: The cost has all
4 been absorbed?

5 THE WITNESS: It's all been absorbed.

6 BY MR. FUSCO:

7 Q The forecasts assume two asset sales.
8 Could you give the Commission a report on the status
9 of those transactions, sir?

10 A Yes. We closed down our transportation
11 center as I reported earlier. We had approximately
12 130 employees there in Trump Castle, furnished
13 limousines and maintenance for the fleets of all three
14 Trump properties and then billed back on a pro rata
15 basis. It was determined by Nick and I that the
16 Castle should get out of the limousine business and we
17 decided to try to sell the facility. We had it on the
18 market and it was finally determined that the Taj
19 Mahal which needed a fleet was probably the best buyer
20 for the facility that could use it. Most of the staff
21 there was ex-Taj Mahal employees and we wound up
22 selling that transportation center on Delilah Road to
23 the Taj and closed that transaction in the middle of
24 April sometime. We brought in 1.7 million dollars of
25 cash into the Castle.

Wagner - Direct by Fusco

1 We are also in an agreement right now
2 with the Taj to sell them our parking facility on the
3 White Horse Pike in exchange to lease their facility
4 which I right across the street from the Castle.

5 Q What's the dollar amount of that
6 transaction, sir?

7 A That will bring in about 4.9 million
8 dollars in cash to us. Hopefully that transaction
9 will close in May and we will then assume the lease
10 and move our folks closer to the facility which then
11 will enable us to negotiate cheaper transportation
12 prices. We will still run the shuttle bus back and
13 forth with the Brigantine Road construction, we will
14 keep that convenience.

15 CHAIRMAN PERSKIE: Shuttle between
16 the hotel and the garage?

17 THE WITNESS: The hotel and the Taj
18 parking lot which will become the Castle parking lot.

19 BY MR. FUSCO:

20 Q Flat surface parking?

21 A Flat surface parking, right.

22 Q The--what is the present today cash
23 position at the Castle?

24 A Including the cage bankroll it's about 15
25 million and we have a down payment in escrow on the

Wagner - Direct by Fusco

1 parking lot which isn't included in that.

2 Q And that total parking lot price is 4.9
3 so that 15 million doesn't count the 4.9?

4 A That's correct.

5 Q And sinking fund payment aside, Mr. Ribis
6 will address that in his testimony, will the Castle
7 cash flows from operations be sufficient to meet its
8 obligations, Mr. Wagner, to pay bond interest, real
9 estate taxes, slot machine fees and other significant
10 expenses as they become due through the license term?

11 A Yes.

12 Q Your answer yes includes the June 15 bond
13 interest payment, is that not so?

14 A That is correct, assuming the sinking fund
15 payments are made as Mr. Ribis--

16 Q I represent Mr. Ribis will address that,
17 Commissioners.

18 In your opinion, as of today are the
19 financial projections contained in exhibit A-44C
20 reasonable and attainable through May 16, 1993?

21 A That's a long ways out, but I'm confident
22 we will achieve them, hopefully exceed them.

23 Q In your opinion as of today, does the
24 Castle have the financial stability and adequate
25 financial resources for the operation of its casino

Wagner - By Chairman Perskie

1 through May 16, 1993?

2 A Yes, sir.

3 MR. FUSCO: Mr. Chairman, that's what
4 I have.

5 CHAIRMAN PERSKIE: Just, Mr.
6 Auriemma, if I may before you proceed.

7 EXAMINATION

8 BY CHAIRMAN PERSKIE:

9 Q On that last, Mr. Wagner, you indicated in
10 passing when you were at the board there the property
11 is in very good shape and needed little capital I
12 can't tell from the materials that have been
13 submitted, and Mr. Fusco, when we get to Mr. DeSanctis
14 I will have the same question, where are you in terms
15 of budgeting current capital? What's contemplated?
16 What do you estimate that you are going to need on an
17 ongoing basis? Where does it come from?

18 A Captain expenditures in 1991 are minimal.
19 We have about \$400,000 we spent so far this year
20 mostly in the slot acquisition, down payments for
21 those. We have done some renovations in the place.
22 The buffet was renovated. We are renovating a bar
23 right now. As far as the physical facility itself
24 it's been exceptionally well maintained. Donald Trump
25 is a stickler for cleanliness and having it

Wagner - By Chairman Perskie

1 up-to-date. So the management really did an
2 outstanding job in maintaining it. In 1992 we foresee
3 the need to purchase soft goods for the Bay Tower,
4 which is the original building, as well as probably
5 television sets, maybe cash registers for the
6 restaurants which are from day one. With the
7 exception of that, the place was just renovated carpet
8 wise in October and, in fact, the company bought twice
9 as much carpet as it needed so if we have to carpet
10 again we have it. Unlike the Claridge, we won't have
11 a flood on the casino floor so I don't anticipate the
12 need for that.

13 Q So the bottom line you are telling me is
14 that for '91 and probably for most of '92 there is
15 very little budgeted for current capital?

16 A We have four million I believe budgeted in
17 '92. Most of that will go to slot machines and '93 if
18 I recall there is five million.

19 Q Nothing in '91?

20 A In '91 I would have to look that up, but I
21 think it's around, we have around three million
22 dollars allocated. Most of that goes to the road
23 construction, Brigantine Road.

24 Q Given that, as near I can figure, your
25 only source of cash is from operations over this

Wagner - Cross by Auriemma

1 license period, what happens if--what happens if you
2 have an unanticipated problem, boiler breaks or roof
3 explodes or whatever?

4 A I think the cash balances that we are
5 showing give us enough comfort that if we had a
6 disaster, or a slot machine progressive that might go
7 off or a shortfall to a small degree, we can make all
8 of the payments needed.

9 CHAIRMAN PERSKIE: Mr. Auriemma.

10 CROSS-EXAMINATION

11 BY MR. AURIEMMA:

12 Q Mr. Wagner, just following up on some of
13 the questions the Chairman just asked you, with
14 respect to obligations that are due in 1991, can we go
15 over them a little bit?

16 A Surely.

17 Q There is a payment due to the Department
18 of Transportation in 1991 for roadway improvements?

19 A Yes.

20 Q And that's 3.5 million dollars?

21 A That sounds like the right number.

22 Q And that's budgeted for the latter part of
23 the year?

24 A We anticipate the first payments will be
25 paid in August.

Wagner - Cross by Auriemma

1 Q And that would be made according to your
2 projections from cash flow?

3 A That's correct.

4 Q Additionally there are real estate
5 payments due every quarter for the rest of the year
6 commencing on May 1?

7 A Right.

8 Q And that's about 1.9 million dollars?

9 A Right, every three months.

10 Q Again, that's anticipated to come from
11 cash flow?

12 A Yes.

13 Q Additionally, on July 1 of this year there
14 is a slot machine fee that's due to the Casino Control
15 Commission?

16 A Yes.

17 Q And that's somewhere in the neighborhood
18 of \$830,000 to \$840,000?

19 A That's correct.

20 Q With respect to your cash position today
21 you indicate it was 15 million dollars?

22 A Yes.

23 Q That is inclusive of house funds, casino
24 funds?

25 A That's correct.

Wagner - Cross by Auriemma

1 Q What is generally reserved for house funds
2 that cannot be used let's say to pay bills or
3 expenses, et cetera?

4 A Generally around four and-a-half to five
5 million dollars.

6 Q So that would leave somewhere around 10
7 million or 10.5 million available for use?

8 A Right, as of the end of April.

9 Q Do you know what your accounts payable are
10 today?

11 A They should be very close to the graph
12 there, the 5.2 million.

13 Q And generally most of them are within a
14 zero to 60 day time frame?

15 A They are getting very current.

16 Q The intention is to maintain that level--

17 A That's correct.

18 Q --of accounts payable.

19 Do you know what outstanding, what
20 total the outstanding checks of the Castle are today?

21 A \$600,000 about. He is pulling my strings
22 back there.

23 Q Currently is it fair to say that Trump
24 Castle has no credit lines that it can tap in the
25 event of a need for funds?

Wagner - Cross by Auriemma

1 A That's correct.

2 Q There is contemplated in the exchange
3 offer that a credit line be established for payment of
4 the December 15, 1991 interest payment for the new
5 series A-3 bonds; is that correct?

6 A Yes.

7 Q And are you working on that or is Mr.
8 Ribis?

9 A Mr. Ribis is working on that.

10 Q And is--can I assume that the fee or
11 interest on that credit line would come from
12 operations as well?

13 A I understand it will be an obligation of
14 the Castle.

15 Q At this point do you anticipate, other
16 than this line of credit, do you anticipate any other
17 borrowings other than let's say--well, do you
18 anticipate any other borrowings?

19 A I don't think so.

20 Q Let me go back to something you said when
21 you were up at the chart here with respect to slot
22 machines. You indicated that there were about 400 new
23 slot machines on order and about 700 stools?

24 A That's correct.

25 Q How is that going to be paid for?

Wagner - Cross by Auriemma

1 A Some of the equipment we paid for up
2 front. That's the way we finance credit. Most of the
3 slot vendors, believe it or not, they are our best
4 creditors because they know the power of the slot
5 machines. Sigma, Universal, even Bally and IGT have
6 given us deferred payment plans.

7 Q Deferred until when, do you know?

8 A August in some cases. We have one program
9 which is an 18 month payout with no payments due in
10 November, December and January, so 15 equal payments
11 over 18 months and parties have been financed for 20,
12 25 percent. The Gassert chairs were purchased with a
13 50 percent down payment.

14 Q Those payments have already been made,
15 those down payments?

16 A Yes, with final payments due in August and
17 September.

18 Q Do you have A-49 in front of you, the
19 chart you were referring to before?

20 Can I just go for a minute to A-49C.
21 That shows investments and I assume it shows cash?

22 A The investment, it should be cash
23 excluding house funds.

24 Q Does that figure also include the 1.7
25 million dollars received from the sale of the

Wagner - Cross by Auriemma

1 transportation center?

2 A Yes, it does.

3 Q And that's a one time sale, correct?

4 A That's correct.

5 Q Go back to the first page, A-49A, let me
6 just go over that again. That's a break even
7 analysis. Is that a break even based on what, on debt
8 service, on operating--

9 A That's operating cash flow.

10 Q Operating cash flow?

11 A Anything above that we are putting money
12 into the investment account to make the payment.

13 CHAIRMAN PERSKIE: So that's an
14 operational break even then.

15 THE WITNESS: Yes.

16 BY MR. AURIEMMA:

17 Q Go to A-49E for the moment.

18 A Which one?

19 Q A-49E. That shows various percentages,
20 correct?

21 A That's correct.

22 Q Does this chart tell you if revenue is
23 going up or down?

24 A No, it only shows you the strategies
25 working as far as the ratios.

Wagner - Cross by Auriemma

1 Q Is it fair to say as a whole revenue
2 projections are projected for '91 to be below 1989
3 levels?

4 A That's correct. We turned in forecasts
5 that show declines from last year, substantial
6 declines, but even greater declines in costs on the
7 cost side.

8 Q Earlier you were talking about the
9 marketing strategy and you were talking about the
10 Castle and the Taj going after the same market. Could
11 you just expand on that again and what now is the
12 marketing strategy of the Castle, what market are you
13 going after?

14 A I think what occurred is Mr. Trump wanted
15 to have three properties very much the same as far as
16 quality and market target. Obviously there is only so
17 many people that that appeals to, and when the Taj
18 Mahal opened up the bigger, fancier, glitzier boardwalk
19 property an awful lot of our customers, as did the
20 Plaza's customers, went over to enjoy the Trump
21 facility there. We suffer continually whenever they
22 put on a promotion and do a mailer or whatever. Our
23 customers which are their customers now as well take
24 off over there to a greater degree than some of the
25 other properties.

Wagner - Cross by Auriemma

1 Our reason to change our positioning
2 from a pricing standpoint and from a floor layout
3 standpoint is to appeal to a different crowd now going
4 towards the drive customer, not necessarily the
5 Harrah's customer. They are very loyal customer, the
6 Harrah's. Our research has pointed out we would blow
7 our brains out going after them. I won't tell you who
8 we are going after on the boardwalk. If it isn't
9 Harrah's, Claridge, Taj and Trump Plaza, you can guess
10 who it might be.

11 COMMISSIONER DODD: So smaller isn't
12 necessarily better.

13 THE WITNESS: All's fair in love and
14 war.

15 BY MR. AURIEMMA:

16 Q Mr. Wagner, earlier you were talking about
17 getting costs down and you referred to a figure of 30
18 million dollars on an annualized basis?

19 A Yes.

20 Q In the--let me go back one step. Are you
21 familiar with the offering circular?

22 A Yes.

23 Q There is a statement in there on page four
24 that says that cost cutting measures have been
25 projected to save 25 million dollars per year. Is

Wagner - Cross by Auriemma

1 that basically the same what we are talking about
2 here?

3 A When I originally did the projections with
4 Mr. Venier and the other senior management, I
5 earmarked approximately 25 to 30 million. Based on
6 first quarter results we are annualizing at 44
7 million. I am hoping that our revenues go up so that
8 we have to apply some expense to the increased revenue
9 to get it there that we will exceed the 30 million,
10 but I hope it doesn't go to 44 because--

11 CHAIRMAN PERSKIE: What number is
12 that a percentage of? In other words, if it's a 30
13 million dollar reduction, 30 million dollars from what
14 number?

15 THE WITNESS: 30 million dollars from
16 242 million last year in expenses, we are projecting
17 it looks like 207 million on the revised projections
18 as of March.

19 CHAIRMAN PERSKIE: So that's about 12
20 percent?

21 THE WITNESS: Yes.

22 BY MR. AURIEMMA:

23 Q In response to a question Mr. Fusco asked
24 you earlier you indicated that operating income was
25 above budget for the first quarter?

Wagner - Cross by Auriemma

1 A Yes.

2 Q Is it also fair to say that the hold
3 percentage for the first quarter was good and above
4 your projection?

5 A It was.

6 Q Is it also fair to say that the
7 consummation or completion of the exchange offer is
8 critical to the Castle?

9 A We have to do that to make the payment.

10 Q Without a successful completion of that
11 exchange offer the Castle would not be able to meet
12 its sinking fund obligation, would it?

13 A Unless we find other sources of funds
14 which I am not aware of.

15 Q And right now you are not seeking other
16 sources of funds?

17 A No, sir.

18 Q Or other credit lines other than perhaps
19 the one for the A-3 bonds?

20 A That's correct.

21 Q And you don't anticipate any additional
22 either loans or capital contributions from Donald
23 Trump, do you?

24 A I don't think so.

25 Q There is--there are two loans that

Wagner - Cross by Auriemma

1 MidLantic National Bank has with respect to the
2 Castle.

3 A Yes.

4 Q The one is a 50 million dollar plus loan
5 and one is about a 13 million dollar credit line?

6 A Right.

7 Q Are you familiar with those?

8 A Yes, I am.

9 Q And by virtue of letter agreement certain
10 interest payments were deferred until June 15, 1991?

11 A Yes.

12 Q Can you tell us what the status of those
13 payments are at this point?

14 A I believe Mr. Ribis will probably address
15 that as he is in negotiations with MidLantic.

16 Q But that is--those interest payments have
17 to be resolved one way or another; is that correct?

18 A We have a mutual understanding with them,
19 but it hasn't been reduced to writing yet.

20 Q The original forecasts that were submitted
21 to the Commission either in January or February of
22 this year, did you participate in those or were they
23 drafted and written before you joined the Castle?

24 A The original projections had been
25 completed and when I joined on the 18th of January we

Wagner - Cross by Auriemma

1 asked and received an extension of time to further
2 look at it with some of the strategies I wanted to
3 apply to it and then we took into account those quick
4 cost cuts that we made which had been anticipated by
5 the previous management.

6 Q Is it fair to say that you do have some
7 familiarity with those original projections?

8 A Yes.

9 Q Originally before the offering circular
10 was issued it was contemplated that the sinking fund
11 payment in June would be solved by the purchase of
12 bonds on the open market at a discount?

13 A Yes.

14 Q And if that had occurred there would have
15 been a reduction in the total amount of long-term debt
16 of 22.7 million dollars?

17 A In that number, right.

18 Q Now if the exchange offer is consummated
19 there will not be that reduction; is that accurate to
20 say?

21 A That's correct.

22 Q And is it also fair to say that that would
23 be the same for 1992 as well if there is some kind of
24 exchange offer in that year as opposed to a purchase
25 on the open market?

Wagner - Cross by Auriemma

1 A Yes. There will be no debt reduction.

2 Q Is it fair to say then that there will be
3 no reduction in long-term debt until what particular
4 year, will it be '93 or 1996?

5 A On the projections we have '93. In June
6 we would probably be able to make a partial purchase
7 of the bonds depending on the price. If we make our
8 projections the price will be running up close to par
9 so then we wouldn't be able to. At 50 cents we would
10 have no problem.

11 Q The new series of bonds, these A-3 bonds,
12 interest has to be paid on those bonds semiannually?

13 A I believe so.

14 Q And that's about three million dollars
15 approximately?

16 A Yes.

17 Q Let's just go over the parking situation
18 for a moment. Castle employees ultimately will be
19 using the Taj Mahal intercept parking lot?

20 A That's correct.

21 Q And there is a CAFRA permit with respect
22 to that intercept parking lot; is that correct?

23 A Yes.

24 Q And you are familiar with that?

25 A To some extent.

Wagner - Cross by Auriemma

1 Q It has another year to run?

2 A I believe so.

3 Q And what is the intention with respect to
4 either an extension of that permit or moving to
5 another parking location?

6 A Mr. Ribis has some ideas on that matter,
7 but both of those are possibilities.

8 Q If all goes as projected and the offering
9 circular comes to pass, an exchange offer is made, you
10 are projecting a cash balance of 12.8 million as of
11 June 30, 1991?

12 A 12 million, seven plus five, yes.

13 CHAIRMAN PERSKIE: That's after the
14 payment of the interest?

15 THE WITNESS: Pardon me?

16 CHAIRMAN PERSKIE: That's after the
17 interest payment?

18 THE WITNESS: Right, after we make
19 the interest payment on June 15 we should have 22
20 million dollars plus cage bankroll on June 15. We
21 will make the interest payment by June 30, we will
22 have accumulated enough more so that we will have
23 seven million dollars, plenty of money to make the
24 slot payment on the first of July.

25 BY MR. AURIEMMA:

Wagner - Cross by Auriemma

1 Q And that takes into account the May 1 real
2 estate tax payment as well?

3 A That's right.

4 Q But does not take into account the 3.5
5 million dollars owed to the Department of
6 Transportation?

7 A No.

8 Q The original forecasts reflected a capital
9 infusion of 5.6 million dollars in 1991, June of 1991
10 and another 5.6 million in June of 1992 and 3.5
11 million in June of 1993 and they are eliminated in the
12 revised forecast; is that correct?

13 A Yes.

14 Q Is it fair to say that they are eliminated
15 because the Castle expects that there will be future
16 exchange offers?

17 A We made the assumption that we will have
18 an exchange offer this year and next year and not a
19 cash infusion. We took those out, we built in the
20 MidLantic interest payment, the arrearage for October
21 1 into the program as well as all the payments for the
22 roadway, it's all in there.

23 Q Is it also fair to say with respect to
24 long-term debt in the revised forecast long-term debt
25 is some 80, 85 million dollars higher than originally

Wagner - Cross by Auriemma

1 forecasted?

2 A I'm not sure.

3 Q Let me go through it then a little bit
4 slower. Assuming that there are no interest--assuming
5 that there are no sinking fund obligation of bonds to
6 retire, those 22.7 million dollars would not be
7 retired in June of 1991; is that correct?

8 A That is correct.

9 Q And the same would be so for 1992?

10 A Yes.

11 Q Is it also fair to say that there is going
12 to be an interest expense regarding the Series A-3
13 bonds and I guess we said it was about three million
14 dollars?

15 A Right.

16 Q So if you, I don't know what my math is,
17 but if you add that up, that is a situation where
18 long-term debt would be higher than originally
19 forecasted if the bonds had been purchased on the open
20 market?

21 A That's correct.

22 Q As far as you know, the Castle doesn't
23 have any commitment with respect to its bondholders to
24 exchange bonds in 1992 or 1993, does it?

25 A Not at this time, no.

Wagner - Cross by Auriemma

1 Q I will ask Mr. Ribis about 1991.

2 The exchange offer states that the
3 issuance of the A-3 bonds will increase the annual
4 debt service by \$28,350. Can you explain to me what
5 that means, how that figure was arrived at?

6 A No, I can't.

7 Q I will ask Mr. Ribis that.

8 MR. AURIEMMA: That's all I have.

9 Thank you.

10 CHAIRMAN PERSKIE: All right, thank
11 you.

12 Anybody on the Commission have any
13 questions for Mr. Wagner at this point?

14 All right, you may step down, Mr.
15 Wagner. I will ask you to remain available during the
16 course of the proceedings until we close in case
17 something does occur to us.

18 We will take a luncheon recess at
19 this point and reconvene at 2:00.

20 (At which time a lunch break was
21 taken from 12:50 p.m. to 2:10 p.m.)

22 CHAIRMAN PERSKIE: Mr. Fusco.

23 MR. FUSCO: We call Kevin DeSanctis.

24 K E V I N D E S A N C T I S, having been first duly
25 sworn, testified as follows:

DeSanctis - Direct by Fusco

1 DIRECT EXAMINATION

2 BY MR. FUSCO:

3 CHAIRMAN PERSKIE: Mr. Fusco, where
4 are we with Mr. DeSanctis? Oh, that's right, we did
5 that this morning. He will have a letter in this
6 week.

7 MR. AURIEMMA: That's right.

8 MR. FUSCO: And he is on the agenda
9 for the 8th.

10 BY MR. FUSCO:

11 Q Mr. DeSanctis, you are presently president
12 and chief operating officer of Trump Plaza, correct?

13 A That's correct.

14 Q Could you give the Commission the benefit
15 of your educational background?

16 A I have a bachelors degree in accounting
17 from Pfeiffer College.

18 Q And after you graduated college, did you
19 serve with the state police?

20 A Yes, I did.

21 Q Could you describe that experience please?

22 A Basically I was in the state police for
23 approximately four years, three of which was spent on
24 the road, the last year was spent in the Division of
25 Gaming Enforcement.

DeSanctis - Direct by Fusco

1 Q And have you--could you describe for the
2 Commissioners your experience in the casino industry
3 in Nevada? How many years?

4 CHAIRMAN PERSKIE: Could you just
5 tell us what four years you were with the state
6 police?

7 THE WITNESS: I believe I was in the
8 state police '75 through '79.

9 BY MR. FUSCO:

10 Q And you left and you moved to Nevada,
11 correct?

12 A That's correct.

13 Q And you've had 12 years experience in the
14 Nevada casino industry?

15 A That's correct.

16 Q Could you describe--what position did you
17 leave to come to Trump Plaza?

18 A Basically I was the vice president of
19 casino operations at the Mirage.

20 Q And how long did you serve there?

21 A I opened the Mirage. I did all the
22 pre hiring, took care of all the administrative work.
23 I was there basically four months prior to opening.
24 Prior to that I was at the Golden Nugget. I was vice
25 president of casino operations at the Golden Nugget

DeSanctis - Direct by Fusco

1 for a brief period of time. Prior to that I was
2 senior vice president of casino operations at the
3 Dunes Hotel and prior to that I was senior vice
4 president of casino operations at the Aladdin Hotel,
5 and just prior to that I left the Reno Hilton where I
6 was vice president of casino operations there.

7 Q So you have now been at Trump Plaza for
8 two months. What did you find when you arrived there
9 and what have you been able to accomplish thus far?

10 A Well, basically it's clear Trump Plaza had
11 a very difficult year in 1990, not only with the Taj
12 opening, Taj Mahal opening, but also with the
13 management change. The president resigned right
14 around the time the Taj was coming on line. It
15 created a tremendous amount of confusion I believe not
16 only in the employees' minds but also in the
17 customers' minds.

18 CHAIRMAN PERSKIE: That was who?

19 THE WITNESS: Jack O'Donnell I
20 believe.

21 A Basically management never reacted to the
22 competitive market that was newly created by the Taj
23 and, of course, the result was a very poor operating
24 year.

25 Of course I arrived in February

DeSanctis - Direct by Fusco

1 basically as a consultant and spent 30 days trying to
2 learn the operation until my temporary approval from
3 the Commission. I was approved on March 13 and
4 basically from that point forward we have been
5 implementing programs to address the problems that we
6 saw at the Plaza and they are very simple, straight
7 forward programs.

8 Our idea is to concentrate on the
9 details. To run an upscale facility. The Plaza is a
10 gorgeous facility. It has a great location and has a
11 lot of really good employees and basically what our
12 intent was was to take the existing employees and the
13 existing management, senior management where possible,
14 and then add a few key spots. Right now we have two
15 positions pending approval by the Commission, one
16 senior--or vice president of casino operations that
17 will be Bill Vallardo and the other is Lily Simone who
18 will be vice president of bus and transportation and
19 basically that will be our management team. It's a
20 very capable group of people.

21 CHAIRMAN PERSKIE: Who is running the
22 hotel operations?

23 THE WITNESS: That is being run by
24 Mitchell Etes and our chief financial officer is
25 Frank McCarthy. Our food and beverage vice president

DeSanctis - Direct by Fusco

1 is Urs Nuesch.

2 A Basically we are approaching the problem
3 from a revenue standpoint. Although we are doing our
4 best to be as efficient as possible, we feel the Plaza
5 as being an upscale operation can cater to more of a
6 premium player and we are going to direct our market
7 efforts in that arena.

8 We look at basically revenue in two
9 primary areas, games and slots. In the games end we
10 took our junket and charter program which was costing
11 us approximately 14 million dollars a year and we
12 eliminated it, primarily because we have never seen
13 anybody that can make any money off a junket charter
14 program. We are substituting that with a very strong
15 splinter program. Basically by splinters I mean that
16 will be individual players that come in as opposed to
17 groups that are prepaid for. Every player would have
18 to qualify prior to being given any complimentaries
19 for airfare reimbursement and basically we would look
20 at each player like an income center, a little profit
21 center, and we would try to increase our margins
22 significantly. Basically what I found in the games
23 department was that there was no margin and
24 unfortunately in operations such as the Plaza if the
25 only place you can make money is in your slot

DeSanctis - Direct by Fusco

1 operation then you are in trouble and that's basically
2 what happened in 1990. Slots was the only department
3 other than if you go into food and beverage and things
4 like that, of course, on a fully allocated basis they
5 don't make any money and with the Plaza all we had was
6 slots with a 48 percent operating margin which is just
7 terrible. There is no way to make any money.

8 So basically we are hitting that, we
9 are hitting the revenue side table games with a
10 splinter program. As I say, we will eliminate 14
11 million in expenses. On the flip side what you have
12 to look at is you will also lose about 12 million
13 dollars in revenue in the incremental revenue
14 attributable to that program. So basically our net
15 loss or net gain will be about two million dollars in
16 that area, plus any revenue that we can generate from
17 the splinter program which we feel is significant.

18 On the slot side we approach it from
19 three specific areas. The one area is the bus
20 program, of course, and that's why we brought Lily
21 Simone in. We felt the bus operation can bring in a
22 marginal profit, but it's very significant to our
23 operation even though marginal and Lily is very cost
24 conscious and detail oriented. I think she
25 understands as well as anybody in town and that's why

DeSanctis - Direct by Fusco

1 we brought her in. So Lily will be very important to
2 us.

3 The second area is direct mail coin.
4 Basically in the direct mail coin because the Plaza
5 was so successful for many, many years and because
6 they were so volume oriented unfortunately we felt
7 that the solution to our problems and our revenue loss
8 was to create volume as opposed to create profit.
9 What we did is we indiscriminately went out and sent
10 coupons and coin to everybody and that's got to change
11 and that's what we are doing with our direct mail
12 coin. Basically in the direct mail coin end before we
13 mail anything to a person they have to have a certain
14 revenue level.

15 The third area that we would address
16 in slot marketing would be our walk-in traffic and
17 basically that's our free business. That's where we
18 make all our money. So that's the three areas in
19 slots that we are interested in right now.

20 That's basically it. That's--we have
21 implemented some very simple, very straight forward
22 programs. We don't intend to get real flashy with
23 things. We think we have a great product and
24 basically all we are going to try and do is
25 concentrate on the details.

DeSanctis - Direct by Fusco

1 Q Trump Plaza's financial forecasts, which
2 are exhibit A-38C, project its financial condition
3 through June 1993. In your opinion, Mr. DeSanctis,
4 are these projections reasonable and attainable?

5 A Yes, they are.

6 Q Have you also revised your special events
7 and general complimentary policies?

8 A Well, basically that comes in with the
9 games department as I was talking about. Our
10 complimentary policies have been altered so that
11 people have to play before they get comped. That's
12 basically it. We have nothing against giving
13 complimentaries, we just have to attain a reasonable
14 margin or there is no point to it. So, yes, they have
15 been restructured. We expect that in 1991, calendar
16 year 1991 our comps will be down by about 13 million
17 dollars, and that's in our forecast.

18 Q You indicated that you concluded or
19 terminated your junket program, effective when? Did
20 that show up in the first quarter results?

21 A No. The junket program was totally
22 eliminated as of April 1 so that you will start seeing
23 the majority of the effects after April 1.

24 Q And that was two weeks after you arrived
25 and being approved--

DeSanctis - Direct by Fusco

1 A Correct.

2 Q --and licensed.

3 Do you have plans, Mr. DeSanctis, for
4 the casino room configuration?

5 A Well, our plans are basically to add some
6 pokers, we are going to add about 200 pokers and we
7 are going to eliminate pit one which basically never
8 gets opened. It opens maybe three days a week,
9 sometime in the summer. Very minimal plans. That's
10 it. We will also--we are currently looking at
11 Jezebel's which is our--one of our entertainment
12 lounges and we will create probably a high limit slot
13 lounge, but that won't come for another six or eight
14 months pending all the approvals.

15 Q What is the current cash position at Trump
16 Plaza?

17 A 14 million dollars.

18 Q And sinking fund payments aside, which Mr.
19 Ribis will address, will Trump Plaza from--

20 CHAIRMAN PERSKIE: Does that include
21 house cash?

22 THE WITNESS: Yes, it does.

23 BY MR. FUSCO:

24 Q Will Trump Plaza from operations be able
25 to pay its bond interest, real estate taxes, slot

DeSanctis - By Chairman Perskie

1 machine fees and other significant expenses as they
2 become due throughout the license period?

3 A Yes, we will.

4 Q That includes the bond interest payment
5 due June of 1991?

6 A Yes.

7 Q And '92, correct?

8 A Yes, sir.

9 Q In your opinion, as of today, considering
10 what you know now and what you have seen, are the
11 financial projections contained in exhibit A-38C
12 reasonable and attainable through May 1993?

13 A Yes, I believe they are reasonable and
14 attainable.

15 Q And in your opinion, as of today, does
16 Trump Plaza have the financial stability and adequate
17 financial resources for the operation of its casino
18 through that same period?

19 A Yes, sir.

20 MR. FUSCO: Mr. Chairman, cross.

21 CHAIRMAN PERSKIE: Just before you do
22 the cross, Mr. Auriemma.

23 EXAMINATION

24 BY CHAIRMAN PERSKIE:

25 Q Mr. DeSanctis, as far as you are aware,

DeSanctis - Cross by Auriemma

1 there are no external cash sources available to the
2 licensee for the license period beyond operations?

3 A That's right.

4 Q And in that context, what is the proposal
5 that's in these documents with respect to current
6 capital outlays over the next two years?

7 A Well, basically our capital outlays over
8 the next two years would be approximately four
9 and-a-half million and five and-a-half million.
10 However, in the past several years in '88 I believe we
11 put in 32 million and '89 34 million and '90 11
12 million and basically we have a new facility. We have
13 spent a tremendous amount of capital improvements, a
14 brand new facility and I do not foresee any major
15 capital problems.

16 CHAIRMAN PERSKIE: Mr. Auriemma.

17 CROSS-EXAMINATION

18 BY MR. AURIEMMA:

19 Q Mr. DeSanctis, just following up on the
20 Chairman's question, with respect to additional
21 sources of funds, there are no credit lines available
22 right now at Trump Plaza?

23 A That's correct.

24 Q And none are anticipated in the forecast;
25 is that correct?

DeSanctis - Cross by Auriemma

1 A That's correct.

2 Q And no infusions of funds from Donald
3 Trump are anticipated; is that accurate?

4 A That's right.

5 Q In the past Trump Plaza has been a sponsor
6 of major sporting events, boxing events in
7 particular. Do you envision the Plaza continuing that
8 type of program?

9 A I think we look at each event
10 individually. However, based on what we have seen
11 there is not a tremendous amount of participation in
12 those events other than us. We foot the bill most of
13 the time, but we don't derive enough revenue to make
14 them economically feasible. So at this time I would
15 say that we would look at them, but we would be very
16 cautious about them.

17 Q How would site fees be paid on a going
18 forward basis if you choose to sponsor a major boxing
19 event?

20 A If I had my way we wouldn't pay any site
21 fee. We would do a four wall.

22 Q What does that mean?

23 A Basically we are in for no cost. The
24 promoter gets whatever the gate is and we participate
25 on food and beverage revenues. Four walls are

DeSanctis - Cross by Auriemma

1 structured in many different ways, but basically we
2 are not in any cash, all we are in is the cost of the
3 ticket, something like that.

4 Q With respect to the most recent
5 heavyweight fight, what benefit was derived by Trump
6 Plaza from that?

7 A That was a very difficult event. Both Mr.
8 Ribis and myself as soon as I came on board and, of
9 course, Mr. Ribis was new to the operation also, we
10 did our best to try to get out of that event to be
11 very honest with you. What we did instead is Mr.
12 Ribis restructured the deal so that we were in to a
13 much less extent. The total town benefited by
14 approximately five million dollars in incremental
15 revenue the best I can tell, and the best our report
16 shows and, of course, we were a small part of that,
17 but we bore all the expense.

18 Q You have indicated that your cash position
19 and I assume as of today was 14 million dollars?

20 A Yes, sir.

21 Q Could we just break that down again. That
22 included house funds?

23 A Yes, it did.

24 Q Of approximately how much?

25 A Four million.

DeSanctis - Cross by Auriemma

1 Q And what are the outstanding checks at
2 this point in time with respect to Trump Plaza?

3 A The payables?

4 Q Checks that have been written but not yet
5 cleared.

6 A I believe about two million.

7 Q And there is a real estate tax payment due
8 on May 1?

9 A That's correct.

10 Q And that is approximately two million
11 dollars?

12 A The real estate payment? I thought that
13 was a million and-a-half I believe.

14 AGENT RESTUCCIA: 1.5 for the Plaza
15 and \$700,000 for the Regency.

16 BY MR. AURIEMMA:

17 Q 1.5 million for the Plaza?

18 A Right, and I believe 670 for the Regency.

19 Q And those are intended to be paid from the
20 cash position of Trump Plaza; is that correct?

21 A Correct, except the Regency is currently
22 under negotiation and Mr. Ribis could fill you in
23 better on that.

24 Q The--you are aware of the letter agreement
25 of April 2 with FMR?

DeSanctis - Cross by Auriemma

1 A Yes.

2 Q And consummation and closing of that
3 transaction is critical to Trump Plaza?

4 A Yes, it is.

5 Q And without that closing Trump Plaza would
6 not be able to make its sinking fund, meet its sinking
7 fund obligations on June 15?

8 A That's correct.

9 Q Is it fair to say that with respect to
10 that FMR transaction that there is an accrued interest
11 payment of 1.3 million dollars that has to be paid
12 also?

13 A That's correct.

14 Q And that will come from cash on hand at
15 Trump Plaza?

16 A Yes.

17 Q With respect to accounts payable, what are
18 the accounts payable today?

19 A I believe the accounts payable are
20 approximately five and-a-half million dollars.

21 Q Again, going back to the FMR deal for a
22 minute, assuming that that transaction closes, there
23 is contemplated by the agreement, for lack of a better
24 term, a cash sweep to FMR from certain excess cash?

25 A Yes.

DeSanctis - Cross by Auriemma

1 Q And is it fair to say, however, that the
2 forecasts and projections of Trump Plaza indicate
3 that, in fact, there is not anticipated to be a cash
4 sweep to FMR?

5 A Is that cash at 75 million, is that where
6 it occurs?

7 Q Yes.

8 A Yes, that would not be anticipated.

9 Q You weren't here in the summer of 1990
10 when we had hearings with respect to the Credit and
11 Override Agreements, but there was some indication at
12 that time that the Trump Regency lease would be
13 beneficial to Trump Plaza. In your brief tenure with
14 the Trump Plaza, have you been able to make a
15 determination as to whether there is any benefit under
16 the current lease arrangement with Regency to Trump
17 Plaza?

18 A Under the current conditions that the
19 Regency is a very difficult operation to manage right
20 now, it's very difficult, in the right economy it
21 would be wonderful. Right now, of course, it's not.

22 CHAIRMAN PERSKIE: What do you mean
23 by that? What would the change in the economy do to
24 make a difference?

25 THE WITNESS: Probably you could fill

DeSanctis - Cross by Auriemma

1 the rooms at a reasonable rate. Right now just to
2 break even, and this is sort of a loose number, but
3 basically we would have to go about a hundred percent
4 occupancy at a \$91 room rate to break even on the
5 Regency from an operating standpoint before
6 depreciation. So that it makes it difficult right
7 now.

8 CHAIRMAN PERSKIE: What are you
9 charging for a room?

10 THE WITNESS: Well, we change. The
11 weekends go pretty high. We will get upwards of \$150
12 a night. Mid week we are up to 50 percent, 40
13 percent.

14 CHAIRMAN PERSKIE: At what rate?

15 THE WITNESS: If we are lucky we fill
16 it at around a \$60 room rate. We don't go much lower
17 than that. Part of the junket program profile was to
18 load the Regency and the Plaza up with basically, we
19 charge whatever rate we wanted but it was all comped
20 so there was no cash revenue in the Regency, it was
21 all comped revenue and that's part of the program to
22 change all that. We are making strides. Basically
23 the Regency has to be a convention hotel right now.
24 There is no other reason.

25 CHAIRMAN PERSKIE: I have lived long

DeSanctis - Cross by Auriemma

1 enough to have one of these people understand that
2 principle. Someone ought to write the date down.

3 BY MR. AURIEMMA:

4 Q Is it fair to say then that under the
5 proposal to alter the financial arrangements between
6 Trump Plaza and the Regency, as Mr. Ribis will testify
7 to, that will be to the benefit of the Regency?

8 A I'm sorry I missed that.

9 Q To the benefit of Plaza.

10 A If we can arrange a new deal with
11 Manufacturers, yes, it will be to our benefit.

12 Q There are with respect to certain parcels
13 of land under Trump Plaza certain mortgages. One of
14 those mortgages is known as Aysseh No. 5?

15 A Correct.

16 Q And based on my reading of projections and
17 forecasts it appears that that mortgage of 2.3 million
18 dollars is due on June 23, 1992 and the forecast
19 assumes it will not be paid at that time?

20 CHAIRMAN PERSKIE: Excuse me, which
21 mortgage are you talking about?

22 MR. AURIEMMA: Aysseh No. 5. There
23 is a mortgage on a parcel of land underneath Trump
24 Plaza.

25 CHAIRMAN PERSKIE: How do you say

DeSanctis - Cross by Auriemma

1 that?

2 MR. AURIEMMA: A-Y-S-S-E-H. I think
3 that's the correct pronunciation.

4 A I believe that's due in '93, June of '93.

5 Q I will check that. I thought it was June
6 23, 1992.

7 A We have Aysseh No. 4. No. 4 I believe is
8 due January 12 of '92.

9 Q That's No. 4?

10 A Right. No. 5 based on my schedule says
11 that we are due on No. 5 in June of 1993.

12 Q Maybe we can clear that up in a few
13 minutes. Excuse me for one minute.

14 A Our chief financial officer says it's
15 '92. He must be right.

16 CHAIRMAN PERSKIE: A sophisticated
17 set of answers.

18 BY MR. AURIEMMA:

19 Q Mr. Fusco has assured me he will clear it
20 up on redirect.

21 With respect to the Trump Plaza
22 interest payment bond, sinking fund payment that's due
23 on June 15, do you know what the grace period is in
24 the event those payments are not made?

25 A I have been told they have no grace period

DeSanctis - Cross by Auriemma

1 by Mr. Ribis.

2 Q I like that, that's a good answer.

3 MR. RIBIS: That's only for you.

4 CHAIRMAN PERSKIE: That's the right
5 answer however.

6 BY MR. AURIEMMA:

7 Q Do you have exhibit A-38C in front of you,
8 that is the cash flow forecast?

9 A Yes, I do.

10 Q Is it fair to say--

11 CHAIRMAN PERSKIE: Now, wait a
12 moment, Mr. Auriemma, if you are going to be a wise
13 guy, what is it, 38C?

14 MR. AURIEMMA: 38C, A-38C.

15 CHAIRMAN PERSKIE: You may proceed.

16 BY MR. AURIEMMA:

17 Q Tell me if I am reading it right. Is it
18 fair to say that according to the cash flow forecast,
19 accounts payable and current liability will be 21.1
20 million dollars higher on June 30, 1993 than on
21 January 1, 1993?

22 CHAIRMAN PERSKIE: Which numbers, Mr.
23 Auriemma?

24 BY MR. AURIEMMA:

25 Q Maybe we can just go over it. There is a

DeSanctis - Cross by Auriemma

1 page entitled licensing Trump Plaza Associates
2 forecasted statement of cash flows, there are two
3 columns.

4 CHAIRMAN PERSKIE: The next to last
5 sheet?

6 MR. AURIEMMA: Right. It says for
7 the quarter ended March 31, 1993, it is the quarter
8 ended June 30, 1993. Could you just explain to me,
9 there are two numbers there, a four million dollar
10 number and a 17 million dollar number.

11 CHAIRMAN PERSKIE: Wait a moment.

12 MR. AURIEMMA: Under the column for
13 the quarter ended June 30, 1993.

14 CHAIRMAN PERSKIE: We are not on the
15 same sheet then--oh, yes, at the very bottom.

16 MR. AURIEMMA: Yes, there is a line.

17 CHAIRMAN PERSKIE: Cash and cash
18 equivalent at the end of the period.

19 MR. AURIEMMA: Line number 43 and 42.

20 CHAIRMAN PERSKIE: I have 26 and 27.

21 MR. AURIEMMA: There is one more page
22 after that.

23 CHAIRMAN PERSKIE: You are on the
24 next sheet then, the last sheet, line 46 and--

25 MR. AURIEMMA: Line 43 and line 42.

DeSanctis - Cross by Auriemma

1 CHAIRMAN PERSKIE: Okay, got you,
2 that's the last page.

3 BY MR. AURIEMMA:

4 Q There is a number that looks like four
5 million dollars and a number of 417,146,000?

6 A I would have to defer to my chief
7 financial officer. I'm not sure how these two numbers
8 prove from the line item.

9 Q Tell me in general terms, does that
10 reflect, if you know, a postponement of certain
11 payables?

12 A That's what it appears to be.

13 Q If the sinking fund payment occurs in June
14 1993, will that be the first time during the forecast
15 period that long-term debt decreases significantly?

16 A Significantly, I would say significantly,
17 yes.

18 Q Have table game revenues reached the
19 levels contained in the forecast submitted to the
20 Commission?

21 A I believe our forecasts--no, they have not
22 reached the levels.

23 Q And by how much are they off?

24 A From--I would have to answer that from a
25 fair perspective. We expected 150 percent of our fair

DeSanctis - Cross by Auriemma

1 share and we attained 112.

2 Q For the first quarter, for the first three
3 months of 1991?

4 A Right.

5 Q And have revenue levels be effected by a
6 low table games hold percentage?

7 A Yes and no. I would have to explain
8 that. Basically I believe that the junket program
9 forced our table games hold percentages down. I don't
10 think that--I think that that is something that will
11 pop back up because basically when we normalize our
12 hold percentage taking out the junket play we find our
13 table games hold percentage for that period of time,
14 for that entire period of time is 15.7 percent. In
15 our forecast we forecast 15.8 percent. So that's
16 pretty close. So I would not say it's abnormally
17 low. I think it's forced by the program.

18 Q So you're forecasting 15.8 percent hold
19 percentage?

20 A Correct.

21 Q And are you aware in the last year the
22 industry hold percentage in New Jersey is 15.5
23 percent?

24 A That's what I heard.

25 Q And you are aware that Trump Castle is

DeSanctis - Cross by Auriemma

1 projecting a 15.5 percent hold percentage?

2 A That's correct.

3 Q With respect to slot revenues, have those
4 slot revenues, have those levels reached the forecast
5 submitted to the Commission?

6 A No, they have not.

7 Q And by what percentage have they missed?

8 A Again, from a fair share perspective I
9 believe we forecasted 105 and we are at 99.6.

10 Q Do you intend with respect to both slots
11 and table games certain other moves which would make
12 Trump Plaza reach these particular assumed projected
13 levels?

14 A Well, we are looking at revenue. I think
15 we have to look at when the forecast was made. Those
16 forecasts anticipated programs that are not in place
17 right now and although I expect we can attain those
18 levels, the levels that were forecasted also incurred
19 a significant amount of expense because we were, like
20 in the slot forecast particularly we were mailing to
21 anybody. We would mail to anybody with a name
22 anywhere that we could find the person. So basically
23 we were forecasting a relatively high revenue figure,
24 but it didn't matter because for every dollar revenue
25 we got we probably compile on about two dollars worth

DeSanctis - Cross by Auriemma

1 of expenses. So I see us really attaining those
2 revenue levels probably over the next several months.
3 There is no question that we will attain those levels,
4 but I think that we will attain them at a much higher
5 profit margin. I think that that will happen with the
6 programs that we have implemented.

7 Q Assuming the FMR transaction is completed
8 and the real estate taxes are paid on May 1, based on
9 my reading of your revised forecast you will be 5.5
10 million dollars approximately as of June 30, 1991 of
11 cash; is that accurate?

12 A That's correct.

13 Q And does that 5.5 million dollars include
14 approximately four million dollars of house funds?

15 A Yes, it does.

16 Q So does that generally leave a 1.5 million
17 dollars available to pay various bills and expenses?

18 A Yes, it does.

19 Q On July 1, 1991 there is approximately 830
20 and \$840,000 of slot machine fees that are owed to the
21 Casino Control Commission?

22 A That's correct.

23 Q That would leave somewhere around
24 \$800,000, to a million dollars of available cash at
25 that point?

DeSanctis - Cross by Auriemma

1 A I believe so. You have to understand in
2 our cash forecast we have been as conservative as
3 possible so that we are assured of making them.

4 Q What would happen if certain progressive
5 slot machines were hit for various jackpots at that
6 point in time, what would your alternatives be? Do
7 you feel you could cover them with the cash that is
8 projected?

9 A I feel that we could cover them with the
10 cash that is projected because basically cash is a
11 balancing Act through this whole period. This is a
12 tough period for us and it's a balancing act, but I
13 feel we would stay very conservative with our cash
14 outlays and I think that what we find here, although
15 we project this number, is that we would have a little
16 more cushion, we would never let ourselves get too low
17 to where we would have a problem with that.

18 Q What would be the cash needs of the Trump
19 Plaza for a July 4th weekend? I believe July 4th is a
20 Thursday this year.

21 A I think we usually pump up by about our
22 cash probably in the area of two million dollars, but
23 I'm not sure. I haven't been through a July 4th
24 weekend here. That would be a guess.

25 Q Is it also fair to say then that June 30,

DeSanctis - Cross by Auriemma

1 1992 cash is projected to be 6.4 million dollars again
2 after making sinking fund payments in that month?

3 A That's correct.

4 Q And looking to the final year on the
5 projection, June 30, 1993, there is a four million
6 dollar number?

7 A I guess, that's correct.

8 Q And that four million dollars, is that
9 total money available or is that house funds?

10 A That includes house funds.

11 Q So if four million dollars were available
12 house funds, a total of four million dollars, does
13 that generally represent cash in the bank of basically
14 zero for June 30, 1993?

15 A That's correct, but in this particular
16 case we are projecting out over a period of two years
17 and I mean that's pretty much a crystal ball type
18 thing. I don't feel that that would be a problem
19 based on the programs that we are implementing and
20 based on what I think can happen over the next two
21 years. I think basically this is an extremely
22 conservative projection.

23 Q I assume it's fair to say that the
24 property wants to attract various highrollers?

25 A Yes.

DeSanctis - Cross by Auriemma

1 Q Given the cash position of Trump Plaza and
2 the projections, how can Trump Plaza attract these
3 individuals without having other lines of credit
4 available in the event that a highroller was
5 successful in winning?

6 A Well, I think in the near future it's very
7 difficult to go after the type of player like a
8 Kashowoggi or someone of that nature, and we wouldn't
9 go after that type of player right now. Probably we
10 would stick to the players that would be more in the
11 \$100,000, \$200,000, \$300,000 credit line range where
12 your exposure really is very limited. He might win or
13 lose a couple hundred thousand dollars, but nothing
14 real significant.

15 Q Let me just focus on the June 1991 payment
16 for the moment, interest payment. Essentially that
17 has--

18 CHAIRMAN PERSKIE: I just can't help
19 myself. There are just a few people in the world for
20 who a few hundred thousand dollars has any passing
21 significance. I recognize the environment here but it
22 reminds me of Senator Dirksen, a billion here and a
23 billion there and sooner or later you start talking
24 about real money.

25 BY MR. AURIEMMA:

DeSanctis - Cross by Auriemma

1 Q Let me focus on the June 1991 interest
2 payment to the bondholders for the moment. Assuming
3 the FMR transaction is concluded the interest payment
4 will be cash flow; is that accurate?

5 A That's correct.

6 Q In order to achieve that sufficient level
7 of funds available, what in your opinion has to be put
8 aside or earned between now and June 15 by Trump Plaza
9 in order for it to make the interest payment?

10 A Our net cash inflow should be
11 approximately I believe 1.7 per week.

12 Q Million dollars per week?

13 A Yes, 1.7 million per week.

14 Q And do you know, for example, what that
15 figure would have been for last week?

16 A I don't know for last week.

17 Q Do you know if it approached 1.7 or
18 exceeded?

19 A Basically we have been preparing little
20 cash flow statements for ourselves, sort of a little
21 report card every week, if you will, and we have met
22 our cash projections every week and we have been
23 probably a couple hundred thousand dollars above them
24 for the last six weeks. So I am confident that we
25 would have no problem meeting that.

DeSanctis - By Chairman Perskie

1 Q With the June 1992 interest payment to
2 bondholders, it's assumed that, again, interest will
3 be cash flow, correct?

4 A That's correct.

5 Q It is also assumed that the sinking fund
6 obligation will be satisfied through 25 million
7 dollars of bonds provided by FMR?

8 A That's correct.

9 MR. AURIEMMA: Nothing further.

10 EXAMINATION

11 BY CHAIRMAN PERSKIE:

12 Q Mr. DeSanctis, take one more shot at
13 explaining the commission of the fight situation. Are
14 you suggesting that the property is not interested at
15 this point in going forward in those areas or that
16 it's only interested on a four wall basis or what?

17 A I believe we look at any deal, but based
18 on the results of this last fight it would not be
19 economically feasible for us to do it again. We will
20 lose too much money in my opinion. So the four wall--

21 Q To do what again, to take a deal where you
22 pay a fee?

23 A Yes. The only deal that would be
24 economically feasible for us at this time would be
25 four wall.

DeSanctis - By Chairman Perskie

1 Q Do you have any personal experience either
2 here or in Nevada structuring these deals?

3 A I have been around them. I have never
4 personally signed the agreements.

5 Q As a practical matter, am I correct as far
6 as the promoters are concerned some sort of a site fee
7 is a sine qua non to any deal?

8 A Yes.

9 Q So that as a practical matter if you are
10 telling me that the Plaza is not going to be involved
11 in site fee then you are telling me they are not going
12 to be involved in the promotion?

13 A I'm not positive of that. I think that
14 there is only a couple people left that will
15 participate in these deals right now and the site fees
16 are getting particular exorbitant and I think with the
17 advent of pay per view and different modes of them
18 really getting money out, I think a four wall deal is
19 a possibility. I'm not sure how many more people are
20 going to enter into this big site fee.

21 Q Talk to me about the commission of last
22 week. I think you said something a minute ago that it
23 would be too expensive. From a cash flow point of
24 view, bottom line after everything went in and after
25 everything came out, what was the Plaza's experience?

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1 A We were down about two million.

2 Q And that accounts for what you attribute
3 as the bump in the handle, in the drop?

4 A That's correct.

5 CHAIRMAN PERSKIE: Anybody else have
6 any other questions of the witness?

7 You may step down. Thank you again.
8 I would ask that you remain available or at least on
9 call throughout the course of the process in case we
10 have any questions.

11 MR. FUSCO: Chairman, the next
12 witness is Nicholas Ribis.

13 N I C H O L A S L. R I B I S, having been first
14 duly sworn, testified as follows:

15 DIRECT EXAMINATION

16 BY MR. FUSCO:

17 Q Mr. Ribis--

18 A This is an odd seat. I never sat here
19 before.

20 CHAIRMAN PERSKIE: I understand that.

21 MR. FUSCO: It is an interesting
22 place for me I might add.

23 CHAIRMAN PERSKIE: You have no idea
24 how long Fusco has been waiting for this.

25 THE WITNESS: Look at the smile on

Ribis - Direct by Fusco

1 his face.

2 BY MR. FUSCO:

3 Q Mr. Ribis, your present--what is your
4 present position?

5 A I am the chief executive officer of the
6 three Trump facilities, casino hotels in Atlantic City
7 and also the Regency here in Atlantic City.

8 Q And what do you consider your overall
9 responsibilities to be in that position?

10 A My overall responsibilities are to deal
11 with my three chief operating officers and presidents
12 with regard to strategic planning, to the
13 implementation of the overall strategy at each
14 property and to oversee on behalf of The Trump
15 Organization the activities of Atlantic City.

16 Q There has been testimony about what's
17 referred to as the Castle exchange offer in 1991 of
18 A-3 for A-1 series bonds. Could you describe to the
19 Commission the status of that?

20 A Yes. I think there is a little confusion,
21 it seems as though there was some from some of the
22 questions from Mr. Auriemma. There is not going to be
23 any increase in debt at the Castle. This is simply an
24 exchange of bonds under an exempt portion of the
25 Securities and Exchange Act which permits the Castle

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1 to issue new bonds with a shorter, slightly shorter
2 maturity date and a slightly higher interest rate to
3 current bondholders that wish to accept those bonds
4 and that we have been in discussion with bondholders
5 who are interested in participating in this bond
6 offering prior to the time that we announce it and
7 prior to the submission to the trustee of the offering
8 circular.

9 Q And that contemplates 1991; is that
10 correct?

11 A It does, Mr. Fusco. What we have done
12 here is we have looked at our overall strategy at each
13 of the three properties, and the immediate need was to
14 bring in senior management and to have that senior
15 management decide on the course of each of those three
16 properties. I think we have done that. You have
17 heard from Roger Wagner and Kevin DeSanctis this
18 morning regarding their plans and I think it was
19 important at each of the properties to bring in
20 independent minded people who were going to carry
21 forward plans which made sense for each specific
22 property.

23 At the Castle in conjunction with Mr.
24 Wagner, we looked at our overall needs, we looked at
25 Mr. Wagner's suggestion as to the positioning of the

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1 facility, which I totally agree with, and Mr. Trump
2 does too, that is that it is a theme facility at the
3 Castle. It has been that from opening. It certainly
4 is the finest physical facility in Atlantic City with
5 the marina, it has been kept up-to-date, a lot of
6 money has been spent there. So what we needed to do
7 was to have a program which worked. In order not to
8 have a situation in June in which there was any
9 friction between us and the current bondholders the
10 possibility of this exempt offering was discussed and
11 then finally determined to be presented to certain
12 bondholders who wished to avail themselves of it.

13 Q There has also been testimony about a
14 transaction between Trump Plaza and Fidelity
15 Management Research. Could you describe that?

16 A Yes. Fidelity Investments through
17 Fidelity Management holds approximately 50 million
18 dollars or so of the bonds at Trump Plaza. We
19 commenced discussion shortly after I became the chief
20 executive officer with their represent administrative
21 representatives and came to an agreement which is in
22 the exhibit that's marked into evidence here with
23 respect to their tendering 25 million dollars of face
24 of their bonds which would be used to apply to the
25 sinking fund for this year and 1992 and we paid a

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1 slightly lower interest rate to them in the upcoming
2 year in 1991. In 1992 we still pay below the par
3 that's being paid now and then in 1993 it picks up to
4 the same rate that we are paying now under our current
5 bonds, 12 and seven-eighths I believe. In the
6 agreement there is an option on Fidelity's part,
7 however, it's been discussed, obviously Fidelity
8 wouldn't have tendered the first 25 million. They are
9 interested in stabilization of the facility and have
10 it go forward and they have a lot of confidence in the
11 facility and that I think is an expensive option for
12 us and I believe we have other options available to us
13 other than doing that transaction with Fidelity which
14 has a high interest rate. We still have the
15 availability to exchange offer there if necessary, we
16 have the availability of buying bonds in the open
17 market if cash becomes available.

18 CHAIRMAN PERSKIE: What's happening
19 at that point? What's been the experience the last
20 four weeks or so, six weeks in the market with respect
21 to Castle bonds?

22 THE WITNESS: Castle bonds have risen
23 over the past I think you have the exhibit that was
24 marked in, or at least handed out during the Taj
25 hearings.

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1 CHAIRMAN PERSKIE: That was the last
2 exhibit--

3 MR. FUSCO: A-35.

4 CHAIRMAN PERSKIE: Yes, that was
5 through April 5.

6 THE WITNESS: I think the level at
7 Castle is around 50, 47, mid 50. I think that the
8 Plaza is between 75 and 80 cents a bond. So that--

9 CHAIRMAN PERSKIE: What's happened in
10 the last two weeks with respect to the Taj bonds?

11 THE WITNESS: Taj bonds have not
12 changed dramatically, Mr. Chairman, in the past two
13 weeks. They are still around 58, Harvey?

14 MR. FREEMAN: 58 or 60.

15 THE WITNESS: 58 or 60.

16 CHAIRMAN PERSKIE: That's not where
17 they were when we last met, Mr. Ribis, because I
18 remember--

19 THE WITNESS: I don't have the
20 exhibit. I thought that they were. Oh, they didn't,
21 excuse me, there was a dramatic move up.

22 CHAIRMAN PERSKIE: Indeed.

23 THE WITNESS: Yes, you are right,
24 there was a dramatic move up shortly after completion
25 of our hearing.

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1 CHAIRMAN PERSKIE: Somewhere around
2 the 15th of April I think.

3 THE WITNESS: You refreshed my
4 recollection. There was one dramatic move on the
5 bonds.

6 CHAIRMAN PERSKIE: On the 18th.

7 THE WITNESS: The market did
8 acknowledge certain things.

9 CHAIRMAN PERSKIE: About 10 points
10 wasn't it.

11 THE WITNESS: About 10 points, that's
12 correct.

13 BY MR. FUSCO:

14 Q So that Mr. Ribis, you are confident that
15 the sinking fund at the Plaza in 1991 has been
16 covered, correct?

17 A I think, again, just so--1991 is in my
18 estimation a transaction which will be completed by
19 May 15. The document contemplates that. As to 1992
20 we have the availability we believe of a transaction
21 with Fidelity which in my estimation may or may not be
22 done depending on the need to do it. We feel that at
23 both the Castle and the Plaza there were other
24 alternatives. There are alternatives in the public
25 marketplace available, there are alternatives at the

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1 Plaza of an exchange offering, there are alternatives
2 available through refinancings and one of my primary
3 responsibilities has been to take control of the
4 fiscal responsibilities for these facilities and to
5 try to plan ahead to deal with the problems not as
6 they occur, but as we anticipate they will occur and
7 that was the first thing I looked at. I think that
8 this Commission is aware that the very first thing I
9 looked at is who's managing and how are we going to
10 manage going forward on a longer term basis rather
11 than a shorter term basis. So, therefore, this
12 Commission is not going to be surprised or the
13 Division of Gaming Enforcement, because as we move
14 along we have various alternatives and I am
15 investigating all the alternatives. I haven't
16 foreclosed any alternative for 1992, and all those
17 alternatives I have just listed for you are being
18 looked at today. That includes at both facilities the
19 availability of credit lines as we go forward.
20 Obviously one of the issues in dealing with financial
21 institutions today aside from Mr. Trump's completion
22 of his relationships, currently relationship with his
23 bank, which we know will be by June 17 pursuant to
24 Commission order, I am discussing with those
25 institutions that have a financial involvement with

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1 these facilities on a going forward ability, credit
2 line for each of these facilities and obviously those
3 are the things that bring financial integrity as we go
4 forward.

5 CHAIRMAN PERSKIE: But today--

6 THE WITNESS: We don't have those.

7 CHAIRMAN PERSKIE: In terms of these
8 two properties, you don't want us to assume the
9 existence of any credit lines that we don't have here,
10 correct?

11 THE WITNESS: That is correct. That
12 doesn't mean that if we needed additional funds that
13 they wouldn't be available, but they are not on the
14 table today, Mr. Chairman.

15 MR. FUSCO: I have no more questions,
16 Mr. Chairman.

17 CHAIRMAN PERSKIE: Mr. Auriemma. He
18 has been waiting slightly longer.

19 THE WITNESS: Mr. Latimer has been
20 waiting. Mr. Restuccia has been waiting 15 years for
21 this.

22 MR. AURIEMMA: I was just happy to
23 get your personal history disclosure form.

24 THE WITNESS: My mother was having to
25 fill out all the relatives she hadn't talked to in 20

Ribis - Cross by Auriemma

1 years.

2 COMMISSIONER DODD: We spoke to her.

3 CROSS-EXAMINATION BY MR. AURIEMMA:

4 Q Let me just clear one thing up with
5 respect to the Castle debt. If bonds had been
6 purchased on the open market to satisfy the sinking
7 fund payment, the amount of bond debt would have to
8 decrease about 22.7 million dollars this year; is that
9 correct?

10 A That is correct, if they would have been.

11 Q If they would have been?

12 A If we had an alternative source of
13 funding.

14 Q And the same would be true in 1992?

15 A That's correct.

16 Q If they are on the open market?

17 A They may still be on at some point.

18 Q Right now that's not in the forecast?

19 A That's correct.

20 Q What is in the forecast is this exchange
21 offer proposal?

22 A That is correct.

23 Q And based on that there would not be a
24 sinking of the bond fund in 1991; is that accurate?

25 A There would not be a reduction in the

Ribis - Cross by Auriemma

1 first mortgage debt on the property.

2 Q And the same would be true in 1992 under
3 the current forecast?

4 A That's correct.

5 Q With respect to the offering circular,
6 could we just go into that for one minute and could
7 you describe the mechanics?

8 A You know I am not a securities lawyer.

9 Q I know, but to the extent that you do have
10 information on it because you just described the
11 mechanics of where the offering circular was filed and
12 why no securities and exchange approval--Securities
13 and Exchange Commission approval was necessary, if you
14 know?

15 A I can tell you what my counsel at Wilkie,
16 Farr which the Commission is familiar with, Mr.
17 LaPier, he has informed us that there was an available
18 exemption under the Securities and Exchange Act called
19 3 (a) (9) and this type of offering is permissible
20 under 3 (a) (9) and that is not necessary to seek
21 approval from the Securities and Exchange Commission.

22 Q And this comtemplates a tender offer by
23 June 14 or tender by June 14 of certain bonds by the
24 A-1 bondholders?

25 A It anticipates that 22.6 million dollars

Ribis - Cross by Auriemma

1 worth of current bonds will be tendered for new bonds
2 in the precise amount, same amount which is about 6.5
3 percent of the current face amount of the bonds.

4 Q At this point we have no guarantees, do
5 we, that there will be a sufficient number of tenders
6 made by June 14?

7 A That's not correct. I sent to the
8 Commission, Mr. Auriemma, and contrary to some of the
9 things that have been said here today in the early
10 proceedings, I have spoken with all, many bondholders
11 and I can state on the record today that over 60
12 million dollars worth of face amount holders have
13 indicated to me an intention to tender their bonds for
14 the new bonds. So that it may be that Putnam chooses
15 not to do that, but I could assure you that
16 over--that's about 20 percent and I only need six
17 percent and I wouldn't have sent out a notice to the
18 public if I didn't believe that those holders were
19 going to tender. So that's an incorrect assumption.

20 CHAIRMAN PERSKIE: Assuming you are
21 right about that, just go through the logistics for me
22 for a minute. Let's assume you picked the 60 million
23 dollar number, that is--that solves all of the sinking
24 fund requirements for the year to make that exchange?

25 THE WITNESS: Yes, that they would

Ribis - Cross by Auriemma

1 submit on a pro rata basis. If that's all that is,
2 they would share pro rata pursuant to their holdings I
3 guess.

4 CHAIRMAN PERSKIE: What distribution,
5 if any, or what transaction is undertaken with those
6 who do not, who are not inclined to participate?

7 THE WITNESS: There is none. They
8 remain first pari-passu.

9 BY MR. AURIEMMA:

10 Q They remain as amount one bondholder?

11 A That's right.

12 Q At this point in time do you have any
13 written commitments with respect to those tenders?

14 A I do not, but I have been authorized to
15 state that those people have indicated their
16 willingness to participate. There is no written
17 document that's necessary. We discussed it, we sent
18 out notice to the public and we prepared an offering
19 circular after our discussions which included term
20 which some of those holders have requested to be in
21 the offering circular.

22 CHAIRMAN PERSKIE: Is there a formula
23 or a procedure in that process where somebody formally
24 under takes to accept the offer in writing?

25 THE WITNESS: What happens, Mr.

Ribis - Cross by Auriemma

1 Chairman, is that the trustee will circulate all
2 bondholders and all the bondholders will be asked
3 whether they wish to participate. Those that do will
4 notify the trustee and he will--

5 CHAIRMAN PERSKIE: In writing.

6 THE WITNESS: That's right.

7 CHAIRMAN PERSKIE: When does that
8 solicitation commence?

9 THE WITNESS: That solicitation will
10 commence this week. The trustee I believe has the
11 offering circulars and he will prepare a cover letter
12 and he circulates, he does that, he circulates.

13 CHAIRMAN PERSKIE: Does the trustee
14 report to you on a weekly, daily or other basis
15 regularly as to the written filings with him electing
16 to take advantage of the offer.

17 THE WITNESS: I believe that we would
18 be in contact with the trustee or his counsel as soon
19 as he circulates to find out what the status is as it
20 goes along, yes.

21 BY MR. AURIEMMA:

22 Q So is it fair to say that you will know as
23 the offering proceeds to June 14 whether or not you
24 have reached the level necessary?

25 A I think I will know long before June 14,

Ribis - Cross by Auriemma

1 Mr. Auriemma.

2 Q There are certain conditions to the offer,
3 one of which is a letter of credit for the December 15
4 interest payments to the new series A-3 bondholders.
5 Can you describe where you stand with that?

6 A That just has to do with the December
7 interest payment on the new bonds on the 22.6
8 million. That's the interest payment that would be
9 made to the holders of the new bond and one of the
10 requests that were made during our discussion with
11 those bondholders that were interested is that they
12 would--they had asked for us to post a three party
13 letter of credit which is going to be posted outside
14 the Castle. In other words, that letter of credit
15 will not come from the Castle, it would come from
16 outside the Castle, another source.

17 Q And who is going to pay the commitment fee
18 with respect to that, the Castle?

19 A I don't know what commitment fee would be
20 paid, but it would be paid outside the Castle.

21 Q By whom, someone in The Trump
22 Organization?

23 A Yes. It would be paid out of a source
24 other than the Castle. It would be paid out of The
25 Trump Organization or some other source.

Ribis - Cross by Auriemma

1 CHAIRMAN PERSKIE: Try to assure the
2 source in question is qualified.

3 THE WITNESS: I will suspect that
4 that's the first thing that I was interested in.
5 BY MR. AURIEMMA:

6 Q MidLantic Bank there is an indication that
7 they have potentially some kind of consensual rights
8 with respect to this?

9 A MidLantic Bank is--has been informed of
10 the exchange offering and I think that they are happy
11 to see an exchange offering done because it stabilizes
12 the facility going forward financially. We have been
13 in discussion with them and we have a letter which has
14 been the basis of payments which have been made since
15 January, as you know. We have some follow-up meetings
16 with them as to going forward on both the Castle and
17 the Penthouse piece and I'm confident from discussions
18 that we have had as recently as Friday that MidLantic
19 is going to act in a rationale way. They have. They
20 did since January and I believe that their interest is
21 a going forward moving property which they have a 50
22 million dollar pari-passu first and a 13 million
23 dollar secondary obligation.

24 Q Can you, with respect to that, can you
25 just go over what you believe the priority liens will

Ribis - Cross by Auriemma

1 be on the Castle with respect to the A-3, A-2, A-1
2 bonds and the MidLantic Bank loans?

3 A MidLantic Bank loans are pari-passu now
4 pursuant to the venture, 50 million of it is, 13
5 million is not a secured loan.

6 CHAIRMAN PERSKIE: Pari-passu with
7 the bonds.

8 THE WITNESS: Yes, they are
9 pari-passu first and the new bonds would be pari-passu
10 with the bonds that are currently in place and that's
11 the opinion of our counsel.

12 BY AURIEMMA:

13 Q That's Wilkie, Farr?

14 A Yes.

15 Q With respect to MidLantic, there are
16 certain payments, interest payments that are due on
17 June 15, 1991 and I think there has been some
18 indication previously, there are negotiations with
19 them about some other arrangement. Can you explain to
20 us what this other account is?

21 A Well, we haven't finalized it yet. I
22 would say that the payments would be made at some
23 later date. The accrued portion, deferred portion of
24 that would necessarily have been due on June 15 and
25 that's what we are finalizing now as to when and how

Ribis - Cross by Auriemma

1 those payments will be made. I believe they will be
2 made during 1991, but after June 15. Probably
3 sometime in the fall.

4 Q Let's go for the moment to Trump Plaza.
5 Let's deal with FMR that was signed on April 2, that's
6 essentially critical to take care of the sinking fund
7 payment at the Plaza this year?

8 A Yes, it's going to be--it will be the
9 basis in which we tender those bonds in lieu of the
10 sinking fund payment.

11 Q And that has a projected closing date of
12 May 15 this year?

13 A That's correct, yes.

14 Q And--

15 A There is no additional interest, just so
16 you understand, on June 15 the bondholders would have
17 received an interest payment from Fidelity and they
18 will receive that interest payment on June 15. We
19 will close the transaction in escrow and going forward
20 to June 15. So maybe I was wrong. It sounded like
21 there was an additional payment made to them. There
22 is not an additional payment and then thereafter
23 rather than getting paid the 12 and seven-eighths for
24 the next year they get paid at 11 percent.

25 Q There is collateral that goes with this

Ribis - Cross by Auriemma

1 particular transaction; is that correct?

2 A That's correct.

3 Q And that is the parking garage?

4 A That's correct.

5 Q And the priority of liens on the parking
6 garage in the transaction as contemplated runs
7 essentially as follows, there are certain Aysseh or
8 Aysseh mortgages?

9 A Yes, it's in the document, it's been
10 marked into evidence.

11 Q And FMR would be second in priority?

12 A Wraps around that.

13 Q And the bondholders would, whatever
14 security they have in the parking garage would be
15 subordinate to the FMR agreement?

16 A Yes, but I'm not sure they would have
17 security, but it would be subordinate.

18 Q Was there a legal opinion obtained
19 regarding the placement of the mortgage on the parking
20 garage and that was in compliance with indenture
21 language?

22 A Oh, as to whether or not the FMR
23 transaction can be done, yes.

24 Q And that opinion was that it could be
25 done?

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1 A Yes, oh, yes.

2 Q And who, what law firm rendered that
3 opinion?

4 A I'm not sure. I think both Wilkie and the
5 illustrious law firm of Ribis, Graham of which I am
6 counsel to.

7 Q With respect to the 1992 payment I think
8 you indicated before that it's at the option of FMR to
9 advance the 25 million face bonds, correct?

10 A That's correct, but as you know from our
11 discussions, Mr. Auriemma, I have spoken to FMR and
12 obviously they--unless there is a total disaster in
13 the world, that's something that they would make
14 available to us, but it's a very expensive option and
15 not one that--it's one that is available to us if we
16 need it, it's not one that we would necessarily take.
17 That's why we are looking at other things. The
18 document does permit us to do an exchange offering in
19 1992.

20 Q When you say it's an expensive option, if
21 it's issued or it occurs, certain equity would go to
22 FMR?

23 A Yes.

24 Q And there would be interest payments?

25 A Very high interest rate.

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1 Q Do you know at this point if FMR has, in
2 fact, the 25 million dollars of bonds for 1992 or
3 whether they would have to go into the market to
4 obtain that?

5 A My understanding is that they have in
6 excess of 50 million dollars face right now.

7 Q And presumably that would cover both 1991
8 and 1992?

9 A If necessary, yes. Boy, he really made a
10 list of questions.

11 COMMISSIONER DODD: Always does.

12 A I can't wait. I see Commissioner Dodd
13 waiting.

14 Q There are, on page four of the FMR
15 agreement, I will show it to you, there are a number
16 of conditions.

17 CHAIRMAN PERSKIE: For the record,
18 Mr. Auriemma, what exhibit is that?

19 MR. AURIEMMA: A-41A, April 2, 1991
20 agreement.

21 BY MR. AURIEMMA:

22 Q There are a number of conditions that must
23 be satisfied and would you just go through them and
24 tell us where we stand with them and if there are any
25 other impediments at this point if you know to the

Ribis - Cross by Auriemma

1 closing of that transaction?

2 A Other than what's in this document I don't
3 know of any other impediments and I don't believe
4 these are impediments. I think that a title policy,
5 which I believe is taken care of and engineering
6 survey, environmental report, both of those documents
7 obviously we have received the appropriate
8 environmental approvals long ago and a legal opinion
9 has obviously been prepared and as far as I know, I
10 haven't been told, but I believe they have received
11 their appraisal. I don't know what amount it was, but
12 I believe it was in excess of the amount that they
13 needed to get. I would say I have been in daily
14 contact with Fidelity and our lawyers have been and we
15 have draft documents and they are refining and
16 finetuning them. I believe that this week they will
17 have everything finished up for closing.

18 Q So is it essentially your opinion that
19 based on your knowledge at this point that the
20 transaction will, in fact, close on or about May 15?

21 A It will.

22 Q Do you know if any consent of the credit
23 and override banks are necessary for the FMR
24 transaction?

25 A If there is I know that that's in the

Ribis - Cross by Auriemma

1 works also. I mean everybody has been notified and
2 whatever has to be done regarding consent or
3 notifications has been done and we haven't heard from
4 any one of their counsel that anyone would have a
5 problem with this transaction.

6 Q The Trump Regency lease--

7 A Yes.

8 Q --can you tell us about what negotiations
9 are occurring with Manufacturers Hanover Trust
10 Company?

11 A We have an agreement in principle.

12 Q We have heard about those.

13 A No, we finished it. In fact, the
14 agreement reduces the rental payments to a million
15 three in the first year, a million in the second and a
16 million in the third and then if the property has not
17 been sold the payments would be made out of excess
18 cash flow after everything has been paid which means
19 that we would have to achieve a gross operating profit
20 in excess of 75 million or so before we ever reach
21 that point and they receive a portion thereafter and
22 we have agreed that if they find, Manufacturers
23 Hanover finds a qualified buyer that we would agree to
24 hand them the deed to the property.

25 Q The agreement in principle, that's not

Ribis - Cross by Auriemma

1 reduced to either a term sheet or final agreement at
2 this point?

3 A I believe, with Mr. Freeman, I believe
4 that Friday afternoon we had finished and there may be
5 one submitted to the Commission along with two or
6 three others. I believe that the document that Mr.
7 Bollenbach handed to the--was marked into evidence
8 indicated there was an agreement in principle and if
9 there is not a term sheet there should be one to the
10 Commission this week.

11 CHAIRMAN PERSKIE: This is which
12 agreement?

13 THE WITNESS: Manufacturers Hanover.

14 CHAIRMAN PERSKIE: The letter
15 indicates "We have reached verbal agreement on all
16 open points with Manufacturers and will draft a term
17 sheet for their consideration this week."

18 THE WITNESS: So I would expect that
19 term sheet probably went out today from Mr.
20 Bollenbach.

21 MR. AURIEMMA: Other than that, I
22 have no questions.

23 CHAIRMAN PERSKIE: Does anybody on
24 the Commission have any questions for Mr. Ribis?

25 COMMISSIONER WATERS: Just a couple.

Ribis - By Commissioner Waters

1 CHAIRMAN PERSKIE: Commissioner
2 Waters.

3 EXAMINATION

4 BY COMMISSIONER WATERS:

5 Q Mr. Ribis, today we received A-48 as an
6 exhibit which I understand is an updating revision to
7 the Division's schedule D-6. Does this represent the
8 information I was attempting to get from Mr.
9 Bollenbach the last time?

10 A Yes, Commissioner Waters if I may, it was
11 difficult in the 45 minutes or the hour that Mr.
12 Bollenbach had when he took that recess, and when we
13 went back we all sat and went through item by item and
14 the document that's been marked into evidence is D-6
15 including the changes which would have occurred on the
16 agreement in principle and it also includes one
17 transaction regarding Mr. Trump's airplane that was
18 anticipated--which will occur. So, yes, the answer is
19 yes.

20 Q I just appreciate receiving it. If I had
21 it at the least hearing I am sure my vote would have
22 been entirely different.

23 A We thought it was an important exercise
24 for us to go through and we finished it and we
25 submitted it to the Commission.

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1 Q I appreciate that. I would like to get to
2 the matter of the bonds. I am a little confused I
3 guess as to not what's happening, but what I have
4 heard today. Do I understand that you indicated you
5 have assurances that 60 million dollars worth of first
6 mortgage bonds are available for exchange?

7 A From holders of 60 million, yes. We don't
8 need, they won't obviously want to exchange 60
9 million.

10 Q They will do it on a pro rata basis I
11 assume?

12 A That's correct.

13 Q I am having a problem in working that
14 against this material we got today from the Steering
15 Committee. Maybe you can answer it this way. 60
16 million represents what percentage of the bonds?

17 A About 20 percent.

18 Q And the Steering Committee represents that
19 their members, members of the unofficial committee
20 hold approximately 81 percent of the first mortgage
21 bonds?

22 A I read that too, Commissioner Waters, and
23 there is a Steering Committee of 33 some odd percent,
24 18 percent of which is Putnam and then there are other
25 people that they have communicated with. So I'm not

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1 so sure the fact they have communicated with people, I
2 didn't hear a clear answer to that, but I can assure
3 you that the people I have talked to have said they
4 will do an exchange.

5 CHAIRMAN PERSKIE: The specific
6 representation in response to my question there was
7 that counsel represented he could speak for the
8 Steering Committee which held 33 percent.

9 BY COMMISSIONER WATERS:

10 Q I still have a difference of 17 percent I
11 guess.

12 A I noticed that and I don't know what to
13 say other than I know who I have talked to.

14 Q The other side is not your responsibility,
15 but you would say then you have approximately 20
16 percent?

17 A That's correct.

18 Q The other thing that's in here that I do
19 need to get into is some of the statements made where
20 you have not dealt with the Trump or at least not
21 dealt with the Steering Committee in a substantive way
22 nor has it even made arrangements to cover the fees of
23 the Steering Committee's financial and legal
24 advisors. Based on what you have told me, what effect
25 does the attitude of this Steering Committee have on

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1 your success in working out this exchange?

2 A I really don't think--I would invite them
3 to participate, but I can tell you that I have
4 attended at least two meetings with representatives of
5 Putnam, one in New York and one in Boston with Mr.
6 Wagner and Mr. Freeman in which they attended with
7 other bondholders, have participated in at least one
8 conference call with representatives of the Steering
9 Committee, I'm not sure who participated in that
10 particular conference call, and I have had other
11 conversations with their representatives. I would
12 hope that they would participate.

13 Q Does your forecast anticipate any payment
14 of fees to this committee's financial and legal
15 advisors?

16 A Does not, no.

17 COMMISSIONER WATERS: That's all I
18 have.

19 CHAIRMAN PERSKIE: Anybody else on
20 the Commission have any questions of Mr. Ribis?

21 You may step down for the moment, Mr.
22 Ribis. Please continue to hold yourself available.

23 THE WITNESS: Thank you, sir.

24 CHAIRMAN PERSKIE: Mr. Fusco.

25 MR. FUSCO: Mr. Chairman, that's all

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1 the testimony that we have to offer at this point in
2 time.

3 CHAIRMAN PERSKIE: Well, all right.
4 I know that our principal focus, of course, as it was
5 the other day is on questions of financial stability.
6 I would, Mr. Fusco, advise you that I have at least
7 one area that I wanted to inquire into. If you give
8 me a minute I don't frankly remember if it's in C-9 or
9 C-10, but I will find it in just a second.

10 It's in C-9 relating to the
11 compliance Division report of the Equal Employment
12 Opportunity Affirmative Unit at the Plaza and there is
13 documentation in the report to the effect that the
14 experience in filing on contractors' PMRs is
15 substantially at variance with the industry average.
16 If you will notice at page three the summary of
17 recommended findings, paragraph one, and then the
18 dialogue goes in at page seven indicating 43 percent
19 filing within 14 days, 69 percent within 21 days and
20 there is a table in here at page 10 which documents
21 that the rest of the industry is doing substantially
22 better. Do you follow where I am?

23 MR. FUSCO: I generally follow, Mr.
24 Chairman, yes, I do. Is section one--

25 CHAIRMAN PERSKIE: I would like to

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1 hear something from somebody with respect to that.

2 MR. FUSCO: Give me just one minute,
3 Mr. Chairman, it will take me one minute here.

4 CHAIRMAN PERSKIE: While we are
5 waiting for that, let me just--Commissioner Waters
6 made reference in the course of the dialogue with Mr.
7 Ribis to the document that was submitted this morning
8 in connection with the motion to participate on behalf
9 of the Steering Committee of Castle bondholders. It's
10 in the form of a two page letter memorandum under
11 today's date from Mr. Ehrenberg to the Commission and
12 that document, of course, was received and is of
13 record before us in connection with the motion which
14 has, of course, already been granted to participate.
15 I don't know that it needs to be specifically marked
16 as such as an exhibit, but I want to make very clear
17 for the record what that exhibit was, what that
18 document was. It is a part of our record in these
19 proceedings as an exhibit to the motion to
20 participate. Well, I will tell you what, just so that
21 we are all consistent, we will mark that P-1 as
22 participant one.

23 (P-1 was marked into evidence)

24 CHAIRMAN PERSKIE: Just so all God's
25 documents have numbers. We have Ps and Ss and Ds and

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1 Cs and As.

2 MR. FUSCO: Mr. Chairman, in regard
3 to your inquiry, the exhibit you referred to C-9 is
4 the Commission affirmative action report as to the
5 Plaza, correct?

6 CHAIRMAN PERSKIE: Correct.

7 MR. FUSCO: Are we going to refer to
8 this exhibit? We may refer to exhibit A-40 which are,
9 is the Plaza response to certain Division of Gaming
10 Enforcement operational review inquiries, but Ms.
11 Wild, general counsel for the Plaza--

12 CHAIRMAN PERSKIE: Well, I did see
13 that.

14 MR. FUSCO: It may not be precisely
15 on point.

16 CHAIRMAN PERSKIE: Well, it's
17 precisely on point, for example, with respect to the
18 indicator lights and my next question by the way
19 because we are leading up to it anyhow is going to be
20 on the dollar tokens and this talks about that, but I
21 didn't get the same degree of precision of response on
22 this question.

23 MS. WILD: Mr. Chairman, if I may
24 address that point, I think that your own Division of
25 Affirmative Action's report notes that we have strived

1 throughout our license period to improve our PMR
2 filing. I will tell you that, frankly, we had a
3 staffing problem within our affirmative action
4 office. During the early period of this particular
5 license we were doing quite a bit of capital
6 improvements on the project as you heard from Mr.
7 DeSanctis earlier today. Our property is in very good
8 shape because we did a lot of work in the early 1989,
9 early 1990 period. Frankly, we had a staffing problem
10 in our department. We worked hard to help to control
11 that staffing problem and we do believe that we now
12 have it in hand.

13 CHAIRMAN PERSKIE: Well, I suppose
14 then what I would like to do is ask you to prepare and
15 submit as quickly as possible some data that would be
16 more time specific than that which is in the
17 Commission's report. The Commission's report
18 apparently covers the entire period and maybe we could
19 see what the experience has been since January 1, for
20 example.

21 MS. WILD: January 1 of--

22 CHAIRMAN PERSKIE: 1991.

23 MS. WILD: Yes, Chairman.

24 CHAIRMAN PERSKIE: Obviously if you
25 are 20 points below the industry average and the

1 average is only the average as opposed to the best,
2 there is a whole lot of room for improvement and if,
3 in fact, it's a problem that as you suggest has
4 already been solved, then arguably the experience from
5 January should establish that. Dealing as we are in
6 this whole area with a somewhat subjective analysis by
7 the Commission of the level of commitment of the
8 licensee, which is all that we really have to go with
9 here, it seems that something like that should be
10 forthcoming.

11 Then while you are in the report, I'm
12 not clear that I understand the response that was
13 presented to the question about the dollar token.
14 Near as I can figure through you and the Division,
15 through you and the Division as you have looked at it
16 or through them and you have looked at it, between the
17 two of you you have identified what to me at least is
18 a potentially serious problem with respect to the
19 slugs and one that has a relatively easy to identify
20 solution.

21 MS. WILD: Yes.

22 CHAIRMAN PERSKIE: Why hasn't that
23 solution been implemented?

24 MS. WILD: The solution is probably
25 to replace the dollar tokens that we are now using.

1 CHAIRMAN PERSKIE: I don't manage
2 casino hotels but by me it's not a heavy lift, it's
3 not a tough call.

4 MS. WILD: We are right now looking
5 into getting bids on what it would cost us to replace
6 our dollar tokens.

7 CHAIRMAN PERSKIE: How long do you
8 expect that process to take?

9 MS. WILD: I really don't know, but
10 we will, upon your recommendation we will undertake
11 that very quickly. We are working very closely with
12 the principal inspector on this at the property and it
13 is our expectation that we will probably have to
14 correct this by replacing the tokens.

15 CHAIRMAN PERSKIE: Well, if the
16 numbers in the Division's report are correct and I
17 have no reason to question them, it would seem to be
18 rather cost effective to do that right away.

19 MS. WILD: Correct, exactly. I agree
20 with you.

21 CHAIRMAN PERSKIE: Anybody else on
22 the Commission have any comment or questions?

23 Mr. Fusco, at that point then with
24 the submission that I have asked on the EEO area that
25 we just discussed, the applicant rests?

1 MR. FUSCO: That is correct.

2 CHAIRMAN PERSKIE: The applicants
3 rest.

4 MR. FUSCO: Both applicants do rest,
5 yes, sir.

6 MR. AURIEMMA: We have no witnesses.

7 CHAIRMAN PERSKIE: All right, both
8 licenses expire on the 16th?

9 MR. FUSCO: That is correct, yes,
10 sir.

11 CHAIRMAN PERSKIE: Mr. Fusco and Mr.
12 Auriemma, let me tell you what my suggestion is and
13 then you will tell me if either of you has a problem
14 with it.

15 In view of the fact that we have a
16 little bit of space, time within which to need to act
17 on, an emergent basis is not apparent, I would suggest
18 that we recess today until Wednesday the 8th at which
19 time it would be, we would be in a position to receive
20 by then, presumably not then, but by then whatever
21 response we will get from the question I just asked on
22 the EEO/AA and we will also have another weekly report
23 in from Mr. Bollenbach. We will also have, hopefully
24 by then you will be able to supply Mr. Fusco the first
25 of what I expect will be a series of reports from the

1 transfer agent or the trust agent on the bonds with
2 respect to his proposal to begin the solicitation
3 process and what we will look for will be periodic
4 reports from him or them or it as to what kind of
5 response they get.

6 MR. FUSCO: On Castle, Castle
7 exchange offer?

8 CHAIRMAN PERSKIE: Yes, together with
9 any other information in the nature of I suppose
10 increased or broadened communication or agreements.
11 We will also at that point deal with the Division's
12 report on Mr. DeSanctis and there is one other thing--

13 MR. AURIEMMA: FMR letter.

14 CHAIRMAN PERSKIE: That's right, the
15 FMR letter all of which together with the ultimate
16 resolution on the license questions we can presumably
17 dispose of on the 8th.

18 If that schedule is
19 satisfactory--first of all, is that schedule
20 satisfactory?

21 MR. AURIEMMA: That's fine to the
22 Division.

23 MR. FUSCO: Yes, that is
24 satisfactory.

25 CHAIRMAN PERSKIE: Does anybody

1 desire to proceed today, we have the time, to closing
2 argument?

3 MR. AURIEMMA: Can I suggest we do
4 that on the 8th also?

5 CHAIRMAN PERSKIE: You want to do
6 that on the 8th?

7 Okay, we will then recess at this
8 point. We will pick up with the closing arguments on
9 the 8th. In the meantime any exhibits that are to be
10 submitted should be submitted as expeditiously as
11 possible.

12 Anything else?

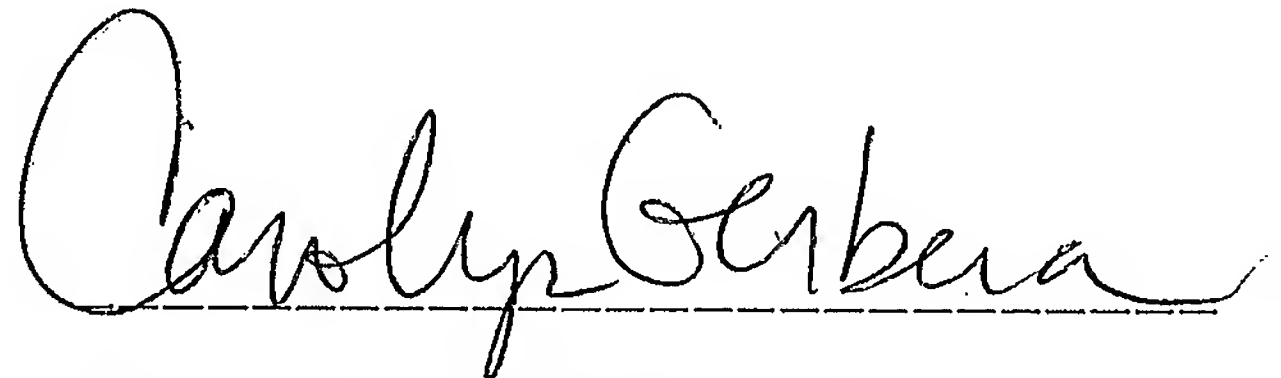
13 MR. FUSCO: No, we have nothing
14 further.

15 CHAIRMAN PERSKIE: Thank you very
16 much.

17 (At which time the hearing was
18 adjourned at 3:35 p.m.)
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C E R T I F I C A T E

I, CAROLYN GERBER, a Certified Shorthand Reporter and a Notary Public of the State of New Jersey, do hereby certify the foregoing to be a true and accurate transcript of my original stenographic notes taken at the time and place hereinbefore set forth.



CAROLYN GERBER, CSR

Dated: April 30, 1991.